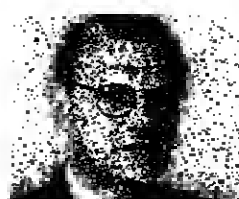




**Doing the splits**  
What to expect from the demerger  
Pages 10 and 18



**Global bonds**  
Can the bull market be sustained?  
Page 15



**Audi**  
Franz-Josef Kortum's ambitious plans  
Page 10

**Tomorrow's Weekend FT**  
Italy: where honesty is sharing your bribes



# FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY FEBRUARY 26 1993

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## Clinton to hold first summit with Yeltsin in April



Russian president Boris Yeltsin (left) and US president Bill Clinton (right) will hold their first summit on April 4. A venue has still to be decided. Mr Clinton is concentrating on finding ways of helping Russian reforms and of engaging Moscow in global problems, including peace in former Yugoslavia. Page 16; Major ends visit, Page 4

**Gonzalez pledges on pesetas** Spain's prime minister Felipe Gonzalez, who faces waning public support, divisions within his Socialist party and market pressure on the peseta, rejected calls for an early general election. He insisted Spain would remain within the European exchange rate mechanism. Page 16

**G7 faces storm clouds** Finance ministers of the Group of Seven advanced industrial nations and central bank governors meet in London tomorrow needing to establish rapport if they are to tackle a range of severe economic difficulties. Page 16

**Boost for Royal Dutch/Shell** Profits at the multinational oil company rose 8 per cent last year to £3.12bn (\$4.46bn) despite lower oil prices and a loss in its chemicals business. Page 17; Lex, Page 16; Details, Page 24; Top two at Showa to quit, Page 22

**Bosnia air relief** The United States will conduct humanitarian air drops over Bosnia as a temporary measure to supplement land convoy deliveries of relief aid, President Clinton announced. US message, Page 3

**Bank of England under attack** Fresh doubts were cast on the effectiveness of the Bank of England as chief regulator of the City of London in a parliamentary report critical of its handling of the Bank of Credit and Commerce International collapse. Page 9

**Equitable, troubled US insurance group** in which France's Axa holds a 49 per cent stake, reported an after-tax loss of \$28.9m in the final three months of 1992, compared with a \$246.9m deficit in the same period of 1991. Page 17

**SKF, the world's leading roller bearing maker,** has scrapped its dividend after slumping to a SKR1.3bn (\$237m) loss in 1992. The result reflects the impact of depressed markets, restructuring and heavy losses within Ovako Steel. Page 17

**GM fund runs out of cash** Up to 11,000 blue-collar General Motors workers are expected to be indefinitely laid off next week as a company fund to keep unemployed workers on full pay runs out of money. Page 16

**US move on Airbus subsidies** US trade representative Mickey Kantor has asked for consultations with the European Community over subsidies to Airbus Industrie. He intends to seek assurances that loans to the consortium are being repaid on time. Page 5

**UK deficit narrows** The UK's trade deficit with countries outside the European Community was cut to £1.02bn in January from December's record £1.34bn. Page 9

**British N-plant radiation leak** A leak of radioactive iodine 129 was reported at the Sellafield nuclear plant in Cumbria, northern England. It follows a plutonium discharge earlier this month. British Nuclear Fuels said there was no danger to workers or nearby residents.

**Vin exports ordinary** French exports of wines and spirits fell 1.5 per cent last year to FF434.2bn (\$62bn) overall, the first annual decline in 20 years. Wine exports dropped 2.9 per cent.

**Iran plea for flood aid** Tehran has appealed for international help after floods killed 500 people and caused damage estimated at \$1bn.

**Hindu leaders held** Thousands of Indian police using teargas and water cannon arrested leaders of the main Hindu nationalist Bharatiya Janata party at a proscribed rally in New Delhi.

STOCK MARKET INDICES		STERLING		
FTSE 100	2,827.7	(+11.7)	New York Exchange	1.43
Yield	4.27		London	1.43
FTSE Eurostoxx 100	1,125.66	(+5.01)	D	1.43 (1.437)
FTSE All-Share	1,381.52	(+0.35)	S	2.3776 (2.3777)
Nikkei	16,967.39	(+106.45)	FF	7.5975 (7.5925)
New York Exchange			SP	2.17 (2.1525)
Dow Jones Ind Ave	3,344.61	(+11.89)	Y	168.9 (66.6)
SEK Composite	438.82	(+0.55)	S Index	76.3 (76.0)
US LUNCHTIME RATES		DOLLAR		
Federal Funds	3%	New York Exchange	1.43	
3-mo Treas Bill Yld	2.83%	DM	1.9335 (1.9335)	
Long Bond	7.09%	FF	7.5975 (7.5925)	
Yield	6.827%	SP	2.17 (2.1525)	
LONDON MONEY		Y		
3-mo interbank	5.2%	(51.5)	Y	177.365 (177.365)
Life long 9% future	5.1%	(51.5)	DM	1.9335 (1.9335)
NORTH SEA OIL (Argus)		FF		
Brent 15-day (April)	\$18.84	(18.81)	SP	2.17 (2.1525)
Gold		Y		
New York Comex (April)	\$330.6	(330.4)	DM	1.9335 (1.9335)
London	\$329.85	(330.65)	FF	7.5975 (7.5925)
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## NEWS: EUROPE

## Amato survives second confidence vote

By Robert Graham in Rome

THE Amato government yesterday survived its second vote of confidence in the space of three weeks, demonstrating yet again the absence of a viable alternative to the current four-party coalition.

During the debate Prof Giuliano Amato, the prime minister, announced that the referendum on electoral reform would be held at the end of April. This is as early as possible under the terms of the recent

constitutional court judgment allowing the referendum.

By announcing the date, the prime minister has set a clear political timetable, and the government's main aim appears to be to last until electoral reform can be introduced to permit fresh elections.

The lira substantially strengthened as the outcome of the vote became clear.

The markets' nervousness over the fragility of the coalition in the wake of Sunday's cabinet reshuffle pushed

the lira to an historic low of nearly 1,600 against the D-Mark; but yesterday the Italian currency was being traded at 1,663.

Mr Amato had originally claimed it was unnecessary to seek a verdict from the chamber of deputies on the reshuffle, which involved the introduction of three new ministers.

However, but strong criticism of his handling of the ministerial changes from within his own Socialist party and the Christian Democrats obliged him to seek a vote of confidence.

His Socialist critics claimed he had ignored the party's interests in rearranging the portfolios; while the Christian Democrat old guard were upset by his attempts to dislodge Mr Giuseppe Guarino, the industry minister.

In the end these criticisms proved no more than long distance sniping.

All four parties backed the government, giving 310 votes on a required majority of 283, and with 285 against.

Nevertheless, the government coalition remains fragile and the position of Mr Guarino is unresolved.

Mr Amato openly told parliament he would have liked to have removed him but he refused to do so and as prime minister had no constitutional power to force him.

The debate also revealed the growing contradiction between Mr Amato's view of his government as being above party issues and the coalition partners, who believe their views should be fully represented.

## Finns learn to live with sacrifices

Economy faces painful truths, writes Christopher Brown-Humes

COMPILE a list of the ailments inflicting west European economies right now, and it will soon be apparent that few countries are in a worse condition than Finland.

"We have lost our eastern market, our western market and our domestic market," says Mr Tarmo Valkonen, the head of forecasting at the Research Institute of the Finnish Economy.

Record unemployment, massive foreign debt, international recession, huge banking losses, and the collapse of trade with the former Soviet Union are the key symptoms and causes of a crisis which has seen GDP shrink by 10 per cent over the last two years - more than it did in the depression of the 1930s.

As if things were not bad enough, the Finns have had more bad news in recent days.

Kansallis-Osake-Pankki, the country's leading commercial bank, has predicted negative 1993 GDP growth of 0.5 per cent, reversing last autumn's forecast of 1.5 per cent growth.

The Ministry of Finance has also just scaled down its previous forecast of 2 per cent growth to zero, partly because of continuing recession in many key export markets.

"We are in an acute crisis, the worst crisis in decades. And the recession elsewhere in Europe is making matters worse," said Mr Sixten Korkman, director-general of the Ministry of Finance.

Finland is paying the price for its over-dependence on a single export market - the former Soviet Union - and over-reliance on one particular sector - forestry.

However, it is also undergoing a painful period of readjustment after the boom years during the 1980s when the property and share markets became grossly over-heated.

A total of 18.6 per cent of the workforce is now out of work and many economists predict the figure will exceed 20 per cent before it starts to fall. The worst hit sectors have been construction, manufacturing and retail.

Falling tax revenues and high unemployment pay-outs have sent debt soaring. Foreign debt will rise to FM250bn (\$42bn) this year, while net interest payments on it will reach FM27bn.

For 1993 alone the state's net borrowing requirement is estimated at almost FM80bn, pushing up state debt to the end of 1992 to nearly 50 per cent of GNP compared to just 16.5 per cent at the end of 1991.

The fear of further aggravating the debt burden means the centre-right coalition government has so far ruled out any package to stimulate the economy. "There is nothing to hand out, just sacrifices," said Mr Ilvo Rinne, the finance minister.

Confronting this, the government this week announced a new FM9.8bn savings package

for 1994 to ensure state spending does not exceed target.

The government is pinning all its hopes on export-led recovery, and on that score at least, there is cause for optimism. The 30 per cent drop in the value of the markka that has resulted from two devaluations over the last 18 months has led to a dramatic improvement in the competitiveness of Finnish industry.

Last year exports grew by 9 per cent, and this year they are predicted to rise by 11 per cent. But even here, there is reason for caution, with demand weakened in the country's main export markets, such as Germany, Sweden and the UK.

The government, led by prime minister Mr Esko Aho, appears to be under no immediate threat, partly because there is no consensus about alternative courses of action. Nevertheless, business leaders

FINLAND's centre-right government yesterday voted in favour of building a fifth nuclear power plant, ending weeks of division on the issue.

The project still faces a difficult passage through parliament, with a final decision expected in May, writes Christopher Brown-Humes.

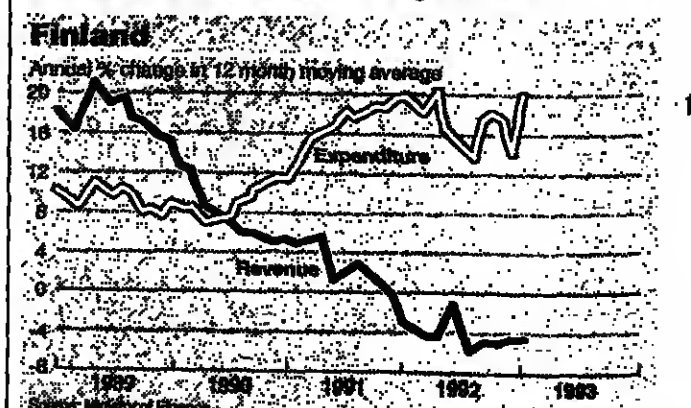
The plant would be built on the site of one of the existing power stations at Loviisa or Olkiluoto, with completion expected around the year 2000. The Finnish utilities, TVO, TVO and PEVO have already received bids from potential suppliers.

have recently become uncharacteristically outspoken in their criticisms.

Mr Pertti Voutilainen, the head of Kansallis-Osake-Pankki implied a lack of decisive political leadership when he said recently that he did not know the prime minister's opinions on the European Community, nuclear power policy, or the country's banking difficulties. The government was able to get FM20bn in additional support for the banking sector several weeks ago but not before parliament rejected a broader package which would have done more to instill confidence in the country's financial system.

The turnaround in the Finnish economy should finally become apparent next year, when a 2.5 per cent growth is predicted. Apart from the stimulus of higher exports, the country is now in a lower interest rate phase which is expected to lead to higher investment.

One surprising thing is that the pain has been endured with little outcry. Some put that down to the national temperament. "Everybody is slightly ashamed," says Mr Olli Kivinen, political columnist on Helsingin Sanomat, the leading Finnish newspaper. "They took part in the casino economy of the 1980s and now they are willing to suffer for it."



## Italy's 'honest party' trips up

La Malfa's plight is seen as poetic justice, writes Robert Graham

ONCE Mr Giorgio La Malfa learned yesterday he was under investigation for alleged illicit financing of his Republican party, he had little option but to resign from the leadership.

Ever since Milan magistrates began investigations into political corruption a year ago, Mr La Malfa has sought to present the Republicans as "the party of the honest". In May he even boasted how the party was not involved.

Some of Mr La Malfa's critics felt his being caught in the magistrates' investigatory net was a form of poetic justice. But Italian politics risked losing - albeit temporarily - one of the few national figures capable of renovating the moribund postwar party structure.

Son of the long-time leader of the Republicans, Mr Ugo La Malfa, the 53-year-old economist has been in the forefront of those arguing for a shake-up of the traditional party system.

His open manner, clear membership of a new generation and apparent personal integrity gave him an influence out all proportion to the size of the

Republican party. His party won just 5 per cent of the vote in last April's general elections.

The party's tradition as a stronghold of the Italian liberal intelligentsia and its potential as a government coalition partner gave added weight to Mr La Malfa's position.

He took over as party leader in 1987 and became the first Republican to break the post-war alliance with the ruling

Christian Democrats. He refused to join the seventh Andreotti government in June 1991. This was done largely out of pique because the party was not offered the portfolios of its liking. Nevertheless, Mr La Malfa was able to represent this subsequently as a policy decision - cutting free from a discredited system of coalition government.

Since then Mr La Malfa has effectively been in opposition, flirting with the former com-

munist Party of the Democratic Left (PDS), the populist Lombard League and dissidents in the Socialist and Christian Democrat parties such as Mr Mario Segni, the referendum movement leader.

In these contacts he has sought to find a new and wider majority to rule during the current transition period with the specific task of introducing electoral reforms and supervising economic austerity. A minority

within his party has challenged this oppositional role at a time of such national emergency.

Well before his resignation the Republicans had begun to be implicated in the ever-widening corruption scandal.

In particular a former Republican appointee on the board of Enel, the national electricity authority, has begun to make a series of damaging allegations about the latter's pay-offs to political parties, including the Republicans.

These developments obliged Mr La Malfa to call a special party congress on March 12 to consider the party's involvement in political corruption and to seek a new endorsement for his mandate as party leader.

Then last week Mr Giorgio Madini, former political secretary of the party and a close friend, was arrested for allegedly receiving illegal funds for the Republicans.

It is still uncertain whether the party will accept Mr La Malfa's resignation. But in the meantime the plight of Mr La Malfa, symbolising the progressive decapitation of the Italian political class by the corruption scandal, is likely to speed up discussion of ways to limit the scope of the magistrates' investigations.

Mr Giovanni Conso, who became justice minister 12 days ago, said his ministry was working on proposals to tackle the phenomenon of corruption that took account of both the legal and politico-economic considerations at stake. He said it was vital to come up with a quick solution.



La Malfa: boasted last year his party was not involved

## Spending power in UK below EC average

By David Gardner in Brussels

BRITISH people's real spending power fell well below the average of continental Europeans in 1991, according to Eurostat, the EC statistics office in Luxembourg.

The UK thus joined Spain, Ireland, Portugal and Greece at below the average per capita income of the Community - but without being poor enough to get the heavy funding earmarked for these member states to enable them to catch up.

Nevertheless, the European Commission proposed on Wednesday that the Merseyside and Highlands and Islands regions of the UK be made eligible for the highest levels of EC regional aid. These are devoted to Europe's most backward areas - and put the two UK regions on a par with the south of Italy, Spain and Portugal, western Ireland and northern Greece.

Eurostat calculates that gross domestic product (GDP) per head in the UK in 1991 was \$5.5 per cent of the EC average, based on purchasing power parities. This is obtained through adjusting GDP by the ratio between prices for comparable goods in different countries.

In "real" or purchasing power terms, therefore, the UK income per head in 1991 was Ecu14,732 (\$17,383) against an EC average of Ecu15,432. Top of the list was Luxembourg at Ecu19,636 per head, followed by Germany (Ecu18,345), and France (Ecu17,250 per head). Italy as a whole was substantially above the UK at Ecu15,980 per head.

Of the four poorest countries below the average line, Spain, the best off, is well below the UK at Ecu11,964 per capita - or 77.8 per cent of the EC average - with the very poorest, Greece, at Ecu7,397, or 48 per cent.

## German businessmen see deeper recession this year

By Ariane Genillard in Bonn

GERMAN entrepreneurs see no prospect of a domestic economic improvement in 1993 and are instead planning further production cuts and redundancies, according to a poll of business opinion by the German chambers of commerce and industry, the DIHT.

The survey, which takes the pulse of 20,000 companies in west Germany and more than 5,000 in the east, suggests that the number of businessmen believing the economy will slip further into recession is steadily increasing.

In western Germany, 48 per cent of entrepreneurs see the state of the economy worsening, compared with 31 per cent last autumn. Only 10 per cent of them see the future with confidence, compared with 18 per cent six months ago. Further job cuts are to be expected, with employers blaming high labour costs as the main cause. Investment plans are to

be revised downwards and structural problems are apparent in all sectors of the economy, the report says.

"The recession is widening and a spiralling economic decline cannot be ruled out any longer," Mr Franz Schoser, chief executive of DIHT, said yesterday.

What hopes there are for a recovery are pinned on economic growth in the US, a moderate growth in salaries and a further reduction in interest rates, he added.

But uncertainty over the future economic policy of the federal government is aggravating feelings of instability among businessmen and hampering investments. In western Germany, 43 per cent of companies are planning to invest less this year, compared with 34 per cent last autumn.

Despite the recent appreciation of the dollar against the D-Mark, more than a third of businessmen expect no immediate rise in their exports.

However, glimmers of hope come from eastern Germany where the mood is slightly less pessimistic. While more entrepreneurs there also believe that the overall economic situation is worsening, a third of them expect the situation in their own companies to improve. This is slightly more than in the last survey.

The most optimism is in the trade, services and construction sectors. Food stuffs, luxury and consumer goods are the targets of increased investment. In general, the level of investment is continuing to increase, showing the sustained efforts of companies to improve productivity.

The most gloomy note from the east concerns the rapid rise in wages, with some 50 per cent of all manufacturers fearing that their very survival is threatened by the drive for equalisation with the west. A fifth of say they will reduce unemployment while over half of them see no change.

## IG Metall to assist unions in east Europe

By David Goodhart, Labour Editor

GERMANY'S IG Metall, the biggest and most powerful union in Europe, has announced a programme of assistance for the weak and divided unions of eastern Europe to support economic and social "fair play" in those countries.

The union has described the assistance programme as the biggest solidarity initiative in its history.

With some assistance from the European Commission it will be spending about DM2m (£200,000) on support for trade unions in Hungary, Poland, Romania, Bulgaria, the Czech Republic, Slovakia, Russia, Belarus and the Ukraine.

Mr Franz Steinkühler, head of IG Metall, said that his union and the East European unions had a common interest in seeing the gap in the standard of living between western and eastern Europe closed as quickly as possible.

"We need to act together to stop governments and inward investors playing us off against each other," he said.

The first bilateral agreement has been signed between IG Metall and the Hungarian Metalworkers Union, Vasas, which provides for training Vasas officials, visits to Germany, and close German-Hungarian union co-operation when German multinationals set up plants in Hungary.

The IG Metall initiative is also designed to reduce competition between reformed "old" unions and new unions. In the Czech and Slovak republics the unions have broken completely with their past but in Hungary there is still tension between old and new unions.

## 1.5m lodge property claims

By Judy Dempsey in Berlin

FEWER than 15 per cent of all property claims in the former East Germany have been settled, but only 281,903 have settled.

Under the amended terms of the 1990 law on restitution and compensation of property in east Germany, not all property can be returned to their original owners, and compensation is neither full nor calculated at current prices.

In its first comprehensive report since December 31, 1992, when all restitution and compensation claims had to be registered with the local authorities, it shows that 1.5m people applied to claim 2.5m titles on property.

Of that figure, over 119,700 claims for enterprises have

been made, of which 23.16 per cent have been settled. Over 2m claims for houses have been registered, but only 281,903 have settled.

Under the amended terms of the 1990 law on restitution and compensation of property in east Germany, not all property can be returned to their original owners, and compensation is neither full nor calculated at current prices.

In principle property confiscated by the former east German communist regime between 1949 and 1990 can be returned, as well as property confiscated between 1933 and 1945.

But compensation for the latter is calculated on the value of property in the 1930s, while a ceiling of DM300,000 (\$180,000) has been recommended by the finance ministry for property confiscated after 1945.

Moreover, in an effort to attract foreign companies to eastern Germany, the 1990 law for reclaiming property was amended by giving investors a priority over the claimant.

This priority was granted provided it could be proved that the claimant could not match the company's investment plans for the property in question.

## Stalin's nuclear city goes on the market

By Leyla Boulton in Moscow

ONE of Russia's most secret cities has taken on western privatisation experts to help it sell off shops, restaurants and small businesses.

Tomsk-7, its secrecy denoted by the number, was created by Stalin in 1949 to help the Soviet Union make a nuclear bomb.

Set in the heart of Siberian forestland, the town is still so heavily guarded that even a trip to the beach involves crossing a Russian equivalent of Checkpoint Charlie, lest intruders try swimming across from the other side of the Tom River.

It is still closed to foreigners, and even Russians from other parts of the country. Its main role is to produce enriched uranium and plutonium for nuclear weapons. A spin-off is to supply 40 per cent of the heating for the neighbouring city of Tomsk.

Barbed-wired gates to the town slam shut behind a bus carrying in a team from the International Finance Corpo-

The city of Tomsk, which yesterday held its first auction of medium and large-scale enterprises, is also to become a launch-pad for Estee Lauder to distribute cosmetics in Siberia, writes Leyla Boulton.

Mr Igor Piltsov, an entrepreneur and local council member, said his company, Stix, had an agreement with Estee Lauder to set up shops in Tomsk and other western Siberian cities such as Novosibirsk, Kemerovo and Novokuznetsk. Mr Piltsov said the US cosmetics company had sent an architect to help him design a shop in Tomsk and sales staff had been trained in Moscow, where Estee Lauder is already established. A pot of face-cream costs Rbs5,000 (\$6.3) at current exchange rates, or the minimum monthly wage.

heads not earmarked for destruction. The difficulties of shifting Russia's military-industrial machine mean that Tomsk-7 will continue to produce new plutonium to renew existing warheads for the foreseeable future.

The task of adjusting is especially hard for a town of 100,000 inhabitants geared to just one thing. As one IFC official put it: "Does anyone know how to restructure a closed city which makes plutonium?"

"Two years ago we could not even invite foreigners here," says Mr Krasnov, who keeps in his office a portrait

of Andrei Sakharov, the nuclear physicist turned human rights champion.

A straw poll of residents asked about privatisation showed support for any reform which might improve supplies of food and consumer goods that were once among the best in the country thanks to the city's special status.

The IFC's brief is to try to help do just this. However, Mr Nikolai Proponenko, Tomsk-7's deputy mayor, has also been quick to ask for IFC help in finding investors or customers for the larger establishments which are its main source of employment.

The city's chemical works, said to devote just 10 per cent of its capacity to producing components for nuclear weapons, is looking, for instance, to market extra-powerful magnets and metallic powders for the ceramics industry.

"Apart from the service sector we have nothing that can generate new jobs," Mr Proponenko explained. "We cannot change the profile of the industry we already have."

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YOUR DAILY BUSINESS BRIEFING



## US message in Bosnian air-drop plan

By Jurek Martin in Washington

PRESIDENT Bill Clinton's plan for high altitude air-drops of relief supplies into Bosnia is intended to highlight not only his humanitarian concerns but to demonstrate a new US willingness actively to engage in European security problems.

At his press conference with Mr John Major, the British prime minister, on Wednesday afternoon, he said he had been assured by General Colin Powell, chairman of the joint chiefs of staff, that operations could be conducted at minimal risk to US pilots.

He conceded that high altitude air-drops might not be optimally accurate, but that it was planned "to lead the area in advance" so that if any loads fell outside the intended half-mile target area they could easily be located.

Mr Major again endorsed Mr Clinton's proposals in US television interviews yesterday morning and the administration thinks it is in the process of lining up enough allied support to minimise objections to the initiative.

Ms Jeannette Walker, of the White House national security council, said that even if Russia could not assist in this particular operation it was admin-

istration's general policy to offer Moscow "a constructive role in European security, including a military role".

In an address to the European Institute here, Ms Walker contrasted the new US engagement in European security issues with that of the Bush administration, which, she said, saw the unravelling of the former Yugoslavia in purely humanitarian terms and had down-played US strategic interests.

"The Yugoslav tragedy," she said, "illustrates that military power still matters in Europe".

She added that beyond the airdrops, "I think you will see us willing to use force again on a case-by-case basis, but in a variety of combinations." She cited possible umbrellas for action as the UN, the Conference on Security and Co-operation in Europe and Nato.

Mr Clinton had also stressed the continuing US commitment to find a negotiated settlement in Bosnia, though neither he nor Mr Major specifically endorsed the existing Vance-Owen plan dividing up the country into semi-autonomous provinces. Mr Major said he had "no view" on its merits and Mr Clinton said it might be difficult to monitor and enforce from a peacekeeping point of view.

## French left discovers green bolthole

But political re-grouping spells trouble for recently formed ecologist coalition, writes Alice Rawsthorn



BRICE Lalonde, the energetic head of Generation Ecology, is plastered all over the French press these days. He is pictured here with his children for Paris-Match, cycling with his wife in Le Nouvel Observateur, and even snuffing a spring of parsley on the cover of VSD.

ASSEMBLÉE NATIONALE

The publicity is scarcely surprising. Mr Lalonde, 47, who resigned last year as socialist environment minister, is a pivotal figure in the French electoral campaign. Some polls suggest that GE's alliance with the idealistic Greens could win second place, ahead of the socialists and behind the conservatives, in next month's parliamentary elections.

Mr Lalonde is also in the limelight as a central player in the "political big bang" announced last week by Mr Michel Rocard, former premier, to create a centre-left coalition of socialists and ecologists.

Until now, Mr Lalonde has steered an independent path, spurning the socialists' suggestions of an electoral alliance and flirting inconclusively

with the conservatives, but he has been much more positive in his response to Mr Rocard, the man who appointed him to the French cabinet in 1988.

Mr Antoine Waechter, 44, head of the Greens, immediately rejected the Rocard proposals. Mr Lalonde praised his former boss and cordially invited him to join GE in the current campaign.

The split between Mr Lalonde and Mr Waechter over the Rocard plan is the first significant sign of strain between the two ecologist parties since the start of the parliamentary campaign and could mark the return of their old rivalry.

The Green party was the dominant force in French environmentalism until Mr Lalonde formed GE in 1990.

But whereas the Green party sees itself as an ideological movement, GE is a product of contemporary French politics. It is committed to environmental issues. Mr Lalonde, former head of Friends of the Earth, left the cabinet after a row over conservation. But GE is far less radical than the Green party in key areas, notably nuclear power, where it advocates tighter regulation of waste, rather than an outright ban.

Mr Lalonde has cleverly positioned it as a bolthole for socialist sympathisers who are disillusioned with their own scandal-ridden party after a decade in power, but who can not bring themselves to vote conservative. Even before the Rocard plan he made no secret of his hopes that GE would eventually be a linchpin in re-grouping of the French left.

Until recently the two ecologist parties were at loggerheads. The crunch came at last year's regional elections when they clashed in separate campaigns and won a combined 14 per cent of the vote, a significant advance on the Greens' 3.8 per cent in the 1988 parliamentary elections and even on their 10.6 per cent in the 1989 European elections.

Mr Waechter, well aware that other ambitious Greens, such as Ms Dominique Voynet, the 34-year-old party spokeswoman, were snapping at his heels, agreed in November to join forces with GE for the parliamentary poll.

So far the campaign has gone smoothly. Mr Lalonde, Mr Waechter and, increasingly, Ms Voynet, have presented a united front. There have been no ideological squabbles, possibly because the emphasis of



Brice Lalonde, 47, Parisian journalist who founded Génération Ecology in 1990. Previously in mainstream politics as the Socialist's environment minister. Stormed out of cabinet last year, in protest at its conservation policy. Has since concentrated on GE, helped by his wife, Patricia, his communications director. Greens see him as political opportunist.

campaigning has been on possible liaison with the established parties, rather than on the ecologists' own policies.

The ecologists have also benefited from the steady stream of scandals and gloomy economic news that has haunted the socialists. The latest polls give the ecologists 15-20 per cent of the vote, leaving them, thanks to idiosyncracies of the French electoral system, with between 2 and 12 of the 577



Antoine Waechter, 44, classic product of 1968 student riots, now heads the Greens and embodies idealistic side of French environmentalism. Was president of the local nature group at 16 and read ecology at university. After career in environmentalism, now faces toughest challenge. Has to stave off threat from Génération Ecology, and from within his own party.

parliamentary seats.

The pollsters have not yet had a chance to gauge the impact of Mr Rocard's proposals. The ecologists are confident it will give them another boost in the polls. It may well do so. But once the elections are over and Mr Rocard starts to assemble his alliance, his "political big bang" may prove just as explosive to the ecologists' coalition, as to his prime target, the socialists.

## Strikes sweep France

By Alice Rawsthorn in Paris

FRANCE'S beleaguered socialist government yesterday faced a barrage of strikes and demonstrations across the country from farmers, dockers, scientists and factory workers.

Militant farmers blocked the Paris-Lille motorway with tractors in protest against the fall in potato prices. The port of Dunkirk was disrupted by dockers protesting against the government's dock reorganisation scheme.

The socialists, already embarrassed by this week's violent demonstrations by fishermen and facing humiliating defeat in next month's parliamentary elections, have for some time been plagued by protests from farmers and dockers.

However the government now faces industrial action from public sector employees. The staff at the National Centre for Scientific Research in Meudon-Bellevue yesterday protested against the proposed closure of the site, which employs 300 people.

There was also a strike at Syscon, a subsidiary of Thomson, the state-controlled electronics group, in Toulouse, in protest at job cuts.

## Moslem enclaves may fall to Serbs

By Laura Silber in Belgrade

SERB forces are close to seizing control of some of the Moslem enclaves in eastern Bosnia targeted for air drops of emergency relief supplies, according to western diplomats in the Serbian capital.

They said a string of hamlets around the village of Cerska, where thousands of Moslem refugees may be located, is the most vulnerable to Serb forces. The town of Srebrenica is also under threat. Diplomats say it may house as many as 70,000 people, twice its pre-war population.

Despite earlier warnings by Serb military leaders that the air drop risked spreading the war, Bosnian Serb commanders yesterday issued an order not to shoot at US aircraft, according to Tanjug, the Belgrade news agency. The statement coincided with intensified preparations for the US operation. Western diplomats in Belgrade said leaflets written in Serbo-Croat describing the operation could be dropped in a matter of hours.

Meanwhile relief workers returning from the north-eastern city of Tuzla said conditions were rapidly deteriorating in the largest of a handful of government strongholds in the area.

Bosnian military leaders said support to Tuzla is essential and pleaded for the opening of the city airfield for humanitarian relief.

"It would provide immediate access for aid to hundreds of thousands of people," said a western diplomat.

Swamped with refugees forced from their homes by Bosnian Serb forces, Tuzla's population of 700,000 is barely coping, even though it has received 10 UN convoys in the last few months. It is not under direct attack, but it has been cut off by Croat and Serb forces. Relief workers estimate energy reserves will last six weeks.

If Tuzla is not opened up, diplomats are worried that the city will descend into chaos.

Limited ground-based relief operations continued elsewhere in eastern Bosnia.

## Digital to phase out Irish plant

By Alan Cane in London, Tim Coone in Dublin and James Buxton in Edinburgh

DIGITAL Equipment, the troubled US computer maker, is closing its manufacturing facility in Galway, Ireland, with the loss of 780 jobs.

Work will be phased out over the next 12 months, the company said yesterday. Its European software development and distribution headquarters in the same area, with 350 employees, will be retained.

In Dublin, Mr Ruairi Quinn, minister for enterprise and employment, said the decision was "a major disappointment". There was intense lobbying by the UK and Irish governments when it seemed Digital would choose between Ayr, Scotland, or Galway for closure. The Irish government has asked the European Commission informally to investigate UK government incentives, which Dublin suspects helped to keep the Ayr plant open.

Manufacturing will also continue at South Queensferry, Scotland, where the Alpha microprocessor, said to be the fastest in the world, is made.

Mr Edward McDonough, Digital's vice-president for manufacturing, said the closure was part of a three-year restructuring programme. The Galway operations would not go to Ayr but to other Digital plants.

The decision had been made on the basis of manufacturing efficiency and not for social reasons.

Once the world's leading minicomputer manufacturer, Digital has been hit by changes in the computer industry which have cut the profit margins on computer hardware.

## French bid to win UK TV accord

By Andrew Hill in Brussels

MR Dominique Strauss-Kahn, the French industry minister, said yesterday he supported plans to concentrate the EC's advanced television strategy on the development of wide-screen television programmes and equipment.

Mr Strauss-Kahn, in Brussels for a meeting of EC industry ministers, said he thought such an approach might win the support of Britain, which is blocking an earlier attempt to pump Ecu500m (£414.5m) of funding into high-definition television (HDTV) over the next five years.

France has been one of the leading advocates of an aggressive HDTV strategy, partly because Thomson, the French electronics manufacturer, has invested heavily in the original "Mac" family of HDTV standards promoted by the European Commission.

Britain opposes funding because it believes the Mac standards are being overtaken by digital HDTV technology developed in the US.

Mr Martin Bangemann, the EC industry commissioner, said last week there was no need for Europe to develop its own exclusive digital HDTV standards, because European companies - including Thomson, and Philips of the Netherlands - were already bidding to produce the US technology.

Mr Strauss-Kahn agreed yesterday that European companies were playing a leading role in developing digital technology, but he said digital HDTV might not arrive before 2005. Mr Bangemann has indicated that digital HDTV might be possible as early as 1997.

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# ARGENTINA



## Smokers may face higher taxes

By George Graham  
in Washington

PRESIDENT Bill Clinton warned yesterday that smokers may face higher tobacco taxes to help pay the cost of giving everyone access to healthcare.

"I think we are spending a ton of money in private insurance and government tax payments to deal with the healthcare problems occasioned by health habits, particularly smoking. It's costing us a lot of money," Mr Clinton said yesterday. "You do have to find some way to recover some revenues to cover people who now don't have coverage."

Higher tobacco taxes are reported to figure on a list of potential ways of raising money to pay for overhauling the healthcare system, which Mrs Hillary Clinton, who heads the White House task force, is now working on, along with other "sin taxes" such as alcohol and gun levies.

The Los Angeles Times said yesterday that Mrs Clinton had ruled out the option of taxing employees on the health insurance benefits they receive from their companies, viewing this as too damaging to her husband's chances of being re-elected president in 1996.

Mr Clinton said he had not ruled anything out, and White House officials said a number of revenue options remained under consideration. Healthcare reform is likely to save money over the long term; it is seen as essential if the federal budget deficit is to be brought into check, because health programmes such as Medicare and Medicaid are the fastest-growing items of government spending.

Extending coverage to the 35m people who do not have employer-provided health insurance, but are not poor enough to qualify for Medicaid, is expected to cost anywhere from \$12bn (\$8.4bn) to \$44bn a year. Costs of subsidising long-term nursing home care could drive the bill higher.

The Congressional Budget Office estimates that treating employer-paid health insurance as a taxable benefit where it exceeds a reasonable average could bring in \$113bn over five years, and would introduce stronger incentives to curb medical inflation.

## Drought declared over in California

By George Graham

CALIFORNIA'S five-year drought is officially over, after last weekend's snow storms in the Sierra Nevada capped a wet winter, bringing reservoir levels close to normal levels.

Governor Pete Wilson declared the drought ended this week, but warned citizens they should not give up their water conservation measures. Officials had been reluctant to declare the drought over, for fear Californians might resume their old ways of profligate water use, but Los Angeles has received 22 inches of rain during this winter season.

But water experts warn that the ground has dried up so much since 1986, the last wet year, that it may take several years for it to be replenished. The drought has hurt California's farmers, who account for over 60 per cent of the state's 500m-gallons-a-day water consumption, harmed forests through insect infestation flourishing in the dry conditions, and ravaged fisheries, with salmon stocks particularly low. California has always depended on billions of gallons of water being pumped to irrigate farms, water suburban lawns and fill city bathtubs in defiance of its basically arid conditions.

Rainfall is usually low, averaging less than 10ins in San Diego, 14 in Los Angeles and 30 in San Francisco, but since 1987 it has ranged between 61 per cent and 86 per cent of these normal levels.

Reservoirs had dropped by last year to little more than half their normal levels, and the snowpack on the Sierra dwindled.

Los Angeles considered building a water pipeline from Alaska, but instead rationed water supplies for 13 months during the worst of the drought, and retains curbs on watering lawns and hosing pavements. The city of Irvine installed parallel plumbing systems in some office buildings to allow "grey water" from washing to be recycled for flushing.

## Britain's PM heaps praise on Clinton after Washington visit

# Major confident on US relations

By Philip Stephens, Political  
Editor, in Washington

BRITAIN'S prime minister, Mr John Major, left Washington yesterday offering lavish praise for President Bill Clinton's domestic and foreign policy agenda and voicing confidence that the arrival of a Democrat in the White House would not weaken Anglo-US relations.

Reviewing his first meeting with the new president, Mr Major said he was "in no doubt

whatever" that he was committed to an early conclusion of the Gatt world trade talks. Mr Major said he had been given the clear impression that the US would not seek to re-open the so-called Blair House accords on farm trade which would be at the heart of any trade deal.

He also gave a broad hint that he settled with Mr Clinton the terms under which a US emissary will be despatched to Northern Ireland. The two had

agreed on the priority of a political settlement between the communities in the province, Mr Major said.

The president, in the UK view, is under intense pressure from Congress to meet his campaign pledge to take an active role in Ulster. The US political perspective is that this pressure is, by Washington standards, very modest. Nevertheless, Mr Clinton is expected to announce the "fact-finding" mission within

the next week or so, Mr Tom Foley, the speaker of the House of Representatives, may be asked to lead it.

The prime minister was determined to demonstrate this week that he could establish a good relationship with Mr Clinton.

He summed up their meeting with the comment: "I don't think the relationship could have been any more natural and easy than it has been."

But in a series of interviews

with the main US and UK television networks yesterday Mr Major found himself pushed on to the defensive in defending his domestic policies in Britain. Several of the interviewers pressed him on the rising youth crime rate in the UK and on the high and rising level of unemployment. He admitted that the government had made mistakes but insisted that the policies were in place to generate sustained economic recovery.

## Concern at lag in filling top posts

By Jurek Martin  
in Washington

DISCONTENT is mounting in Washington over the slowness of the White House in approving appointments to senior sub-cabinet positions in the new administration.

The concern, now being voiced by some members of the new cabinet, has been heightened this week by the admission to hospital of Mr Les Aspin, defence secretary. Yesterday, Mr William Perry, selected to be his deputy, finally appeared before Senate committee confirmation hearings, but meanwhile, the Pentagon's civilian command rests with a middle-level appointee of President George Bush.

The Justice Department is still also under a hold-over Republican management pending confirmation of Ms Janet Reno as attorney-general. No other senior Justice nominations have been made, including that to the important position of solicitor-general.

Open or veiled criticism of the process has come this week from Mr Federico Pena, transportation secretary, Mr Mike Espy, agriculture secretary, and Mr Henry Cisneros, who runs the housing and urban development department.

According to yesterday's New York Times, the White House has so far submitted only 30 names to fill the nearly 300 positions subject to Senate confirmation - about half the pace of the Carter and Reagan administrations at the same stage. This includes 21 nominees advanced earlier this week in an apparent attempt to deflect public criticism.

Two reasons are cited for the delay. First is the painfully slow process of background checks conducted by the White House and FBI. These have been made all the more laborious by the need to ensure there are no skeletons in the household closet, such as afflicted Ms Zoe Baird and Judge Kimbrough Wood, both candidates for attorney-general.

The second is the White House insistence on ethnic, gender and geographic diversity in senior appointments. A list submitted by Mr Cisneros was reportedly rejected because it contained too many New Yorkers. More common complaints concern the intensity of the search for women and members of racial minorities.

Meanwhile, several prospective and likely nominees are already working in their respective departments, but often on a temporary basis or as consultants without formal bureaucratic authority.

Mr Aspin was released from his four-day hospital stay yesterday, saying he was "fully recovered" from complications arising from a heart ailment and would quickly resume a full schedule at the Pentagon.



Making their points. Mr John Major (left) and President Bill Clinton gesture at each other during their joint news conference in the White House

## Premier makes music in a minor key

The UK leader's visit was cordial if unexciting, writes Philip Stephens

MR JOHN MAJOR came to Washington to make friends. He left yesterday convinced that during his first encounter with President Bill Clinton he had made a start.

The British prime minister could not claim that his visit had stirred the excitement of a Washington establishment preoccupied with the new administration's domestic programme. For its part, the local media's interest in Britain this week has focused on the murder in Liverpool of two-year-old James Bulger rather than on the warmth of Mr Major's reception at the White House.

Nor did several hours of talks with Mr Clinton yield any diplomatic breakthroughs on the issues facing the US and Europe. The days have gone when Republican presidents and Conservative prime ministers would jointly pre-empt the decisions of their allies.

But for Mr Major the trip had a limited objective. He had to prove that he could get on with a Democratic president; that British influence in Washington had not vanished with the departure of Mr George Bush; and that Mr Clinton would not seek retribution for the help offered by the Conservatives to the Bush campaign.

The president's calculated generosity during their joint appearance at the

ANGLO-AMERICAN ties may be on a sounder footing, but this was not apparent from the politically conscious and correct neckwear worn by both sides on Wednesday, writes Jurek Martin in Washington.

At their joint press conference, Mr John Major wore a proper Tory blue tie. His attendant aides - Sir Robin Kenwick, the UK ambassador, Sir Robin Butler and Sir Roderick Braithwaite from Downing Street -

White House allowed Mr Major to claim he had succeeded.

Mr Clinton deferred to Mr Major's greater experience of foreign policy issues. He went out of his way to underline his commitment to the transatlantic "special relationship". He reminded reporters that he was one of only two presidents who had lived in England. To the visible relief of Mr Major's entourage he made light of the British government's decision during the presidential campaign to rummage through his Home Office files for evidence of youthful wrongdoing.

For his part, Mr Major suppressed his private doubts about the US decision to air-drop supplies into eastern Bosnia, declaring it a "brave" and "imaginative" initiative. He also heaped lavish praise on Mr Clinton's programme to

reduce the US budget deficit. It is not often that you hear Conservative prime ministers offering plaudits for tax increases.

There was none of the natural chemistry apparent during Mr Major's meetings with Mr George Bush or the then Mrs Margaret Thatcher's encounters with Mr Ronald Reagan. But the prime minister had already scaled back once extravagant claims for the relationship.

And Mr Clinton, side-stepping awkward questions about Northern Ireland and playing down differences over trade issues, had clearly decided there was nothing to be gained from a public snub.

The substance of the two leaders' discussions also offered Mr Major cause for satisfaction, if not celebration. His claim that there had been a "meeting of minds" over the need to conclude the stalled Uruguay Round of world trade talks perhaps went too far. Mr Clinton speaks still of the need for "fair" trade, a coded demand for more concessions from his partners.

But the tone of the president's comments - and suggestions by US officials that extension of congressional "fast-track" approval arrangements for any Gatt accord will be for months rather than years - reinforced the view that he does want a settlement this year. "I got no sense of a protectionism president," Mr Major said with some justice.

There were differences between the two men: over the "map" of Bosnia being proposed in the peace negotiations between the warring factions in the former Yugoslav province; over the remit for an American emissary to Northern Ireland; and over a raft of transatlantic trade disputes concerning steel, Airbus and public procurement.

The activism in international economic management which Mr Clinton expects of the Group of Seven countries may be difficult to square with the limited expectations which Mr Major has of joint action to manage demand in the world economy. But this week at least the differences remained below the surface. Mr Clinton was generous. Mr Major was mightily relieved.

## Peru pledge clears aid hurdle

By Stephen Fidler, Latin  
America Editor, in New York

THE US administration intends to back a financial support programme for Peru, having been satisfied during talks with Peruvian ministers that the Lima government intends to address US concerns about human rights.

The concerns, relating chiefly to the treatment of political prisoners and the

harassment of human rights groups, had led the administration to delay a financial package designed to help Peru clear its arrears with the World Bank and International Monetary Fund.

Assurances were given to the US this week in Washington by Mr Jorge Camet, Peru's finance minister, and Mr Fernando Vega Santa Gadea, justice minister. A State Department official said the commitments

were sufficient to restart moves towards the completion of the package, which includes a short-term bridge loan of nearly \$2bn to allow Peru to clear arrears with the IMF and World Bank.

However, the commitments would be monitored as the multinational support package, which is being arranged under the leadership of the US and Japan, moves towards fruition. The arrangement to clear

Peru's arrears with the IMF was to have come before the IMF board this week, but was postponed because of US concerns. It could now come up as early as next week. Clearing arrears with the IMF and the World Bank will allow them to resume lending.

## Citicorp to make new loans to Brazil

By Stephen Fidler

CITICORP, Brazil's largest foreign bank creditor, will make substantial new loans to Brazil under the debt restructuring package now before international banks.

Under the accord, agreed late last year, banks can choose between six options, most of which involve exchanging old

loans for concessional bonds, but one of which allowed banks to make new loans of \$100 for every \$550 of existing exposure.

Mr William Rhodes, vice-chairman of Citicorp, said that the bank would convert some of its exposure into concessional bonds, but that "the largest single commitment would be to new money". US

regulators had no objection to Citibank taking this position.

Citibank has so far profited from a policy of lending new money where possible in so-called Brady debt restructurings, and has opted to do so in Mexico, Venezuela, Uruguay and the Philippines.

The secondary market prices of the debt have risen considerably in most cases since

the agreements went into effect.

However, the Brazilian package is regarded as more uncertain than most of the preceding debt agreements, in part because as yet there is no agreement between Brazil and the International Monetary Fund, and most banks are not seen as likely to provide new funds.

## Mexico pressed over TV concessions

By Damian Fraser in  
Mexico City

THE Mexican government is coming under growing pressure to rule on the granting of concessions for 82 new local TV stations, which are reported to have gone to Televisa, Latin America's largest media company.

Award of the concessions to Televisa would enable it to complete its third national network in Mexico, but threatens

to complicate the sell-off of Mexico's state-owned TV channels 7 and 13, due to take place by June. Televisa already has about 80-90 per cent of Mexico's TV audience, and further expansion would make it much harder for the buyers of the two state-owned channels to compete.

Newspaper reports have suggested the two state channels might fetch \$500m. They would provide the only effective competition to Televisa, a self-proclaimed supporter of

Mexico's ruling Institutional Revolutionary Party, in power for the past 63 years.

One of the favoured bidders for the state-owned channels said: "The government does not realise the importance of this. If they make the concessions it will be very difficult to compete. The most important part [of the privatisation] is the rules of future competition. We are obviously concerned."

Televisa has all but announced that it has been awarded the concessions. A

spokesman said: "We expect an announcement soon." He promised the concessions. A communications ministry spokesman said a decision had still to be made.

The government will soon have to confront Televisa's "Plan Amigo", which gives free advertising spots to companies promising not to advertise elsewhere. Given Televisa's dominance of the TV market, the arrangement may make it hard for future competitors to entice advertisers away.

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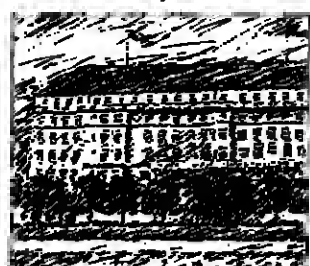
For the information of the Bondholders, the reported closing price of the Common Stock of the Company on the Tokyo Stock Exchange on 19th February, 1993 was Yen 470 per share. The aggregate principal amount of bonds outstanding as of 8th February, 1993, was \$2,000,000. Dated: 26th February, 1993

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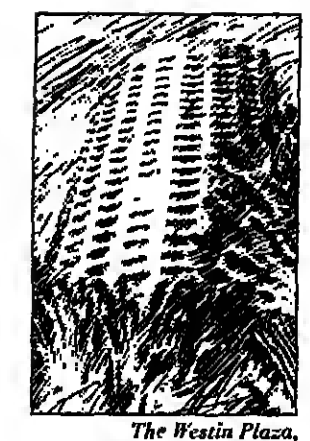
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## Kantor asks EC for talks on Airbus

By Nancy Dunne in Washington

MR Mickey Kantor, the US trade representative, yesterday said he has asked for consultations with the EC over Airbus subsidies and intends to seek assurances that loans made to the consortiums are being repaid on schedule.

Although the Clinton administration has reassured the EC that it will hold to the bilateral Airbus agreement, reached last July, a series of public statements by both President Bill Clinton and Mr Kantor have demonstrated the administration's continuing preoccupation with Airbus, as conditions in the US aerospace industry have worsened.

In the last month the US industry has announced thousands of job losses at McDonnell Douglas, Boeing and Pratt & Whitney.

The president raised his concerns about Airbus at a lunch on Wednesday with Mr John Major, the British prime minister.

He also told Boeing workers last Monday that he hoped it was not "too late" to counter the alleged \$26bn (£18.3bn) in subsidies paid by the Airbus governments.

Announcing the consultation request in a radio interview yesterday, Mr Kantor affirmed the US right to request special consultations under the agreement, which prohibited all future production supports, including supports for sales and marketing, and limited funding for aircraft development to 33 per cent of total development costs.

The agreement also established strict terms and conditions for the repayment of development funds advanced by governments.

According to the US trade representative's office, interest rates on the funds must be set at close to market levels, which are "significantly higher than those charged in the past

by Airbus governments". The pact had strict "transparency" requirements.

It said the EC would have to make available a complete list of funds disbursed or committed, information on repayment, and any changes in commitments which make conditions "more favourable to Airbus".

In yesterday's interview, Mr Kantor continued the provocative tone which the administration - like the Congress - has been taking towards the EC since coming to power.

"The Europeans," he said, "have screamed like pigs stuck under a gate" in response to "fairly mild" US actions taken to open markets.

He also said he would meet again with Sir Leon Brittan, the EC commissioner in charge of trade, next month.

Mr Kantor said he is studying legislation announced on Wednesday by Senators Max Baucus and John Danforth, which would bring dumping and countervailing duty complaints against Airbus.

He also said he would meet with the book of the Airbus partners by helping to finance a consortium to develop the next generation of US aircraft.

Senator Baucus said the US government would not stand by while the largest US export industry "falls victim to a European aerospace industry that would not even exist if it were not for the subsidies of France, Spain, Germany and the UK."

Nothing in the bilateral Airbus pact restricts the rights of US producers to file unfair trade cases.

If they do, however, the EC can - after consultations - terminate the Airbus agreement.

Furthermore, any cases brought by the US industry would risk alienating European customers.

Such a course of action would still not affect the sale of subsidised Airbus aircraft to the rest of the world.

## US-Japan feud takes to the air

Michio Nakamoto reports on the dispute over an aviation accord

**H**ARDLY a week passes without a simmering trade dispute between Japan and the US threatening to flare up into an all-out trade war.

This week, officials from the US and Japan are meeting in Washington to try to avert a potentially damaging row over aviation rights which has already triggered threats and counter-threats of retaliation.

At stake is a large market for Asian-Pacific air travel from Tokyo, an area expected to be one of the largest growth markets for the industry.

The Japanese airline industry believes that its entire international operation could be at risk and it is watching the outcome of the talks very closely.

The current confrontation began with the refusal by Japan to allow United Airlines, the US carrier, to extend its New York-Tokyo flights to Sydney.

Under a bilateral aviation accord signed between the US and Japan in 1982, US carriers have what are known as "beyond rights".

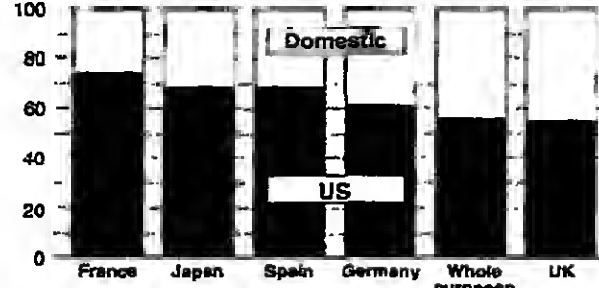
These give permission to carry passengers not only from the US to Japan but from there on to a third destination.

United saw the Japanese refusal as a violation of its "beyond rights" and took the matter to the US Department of Transport, which also ruled that Japan had violated the bilateral aviation accord.

Japan's Ministry of Transport

Share of air transport

Capacity between US and major countries (%)



Source: Taki Kaku Niyoshi

maintains that the flight is not an extension of the New York-Tokyo route but for all practical purposes a separate flight that is aimed at eating into the market for travel between Japan and Australia.

The two countries' aviation accord states that US airlines should serve primarily US-Japan traffic.

US carriers exercising "beyond rights" to a third destination out of Tokyo should be carrying mainly US passengers, not Japanese passengers, to that destination.

However, given the extra travelling time a Tokyo stop entails, it is highly unlikely that United will be carrying mainly US passengers via Tokyo.

"It is nothing less than an attempt by United to take Japanese passengers away from Japanese airlines," says an offi-

cial at the Ministry of Transport. Japan is prepared to give United the go-ahead on condition that passengers from Tokyo to Sydney be restricted to less than 50 per cent. That, for the Japanese, would be in line with the stipulation that the primary route be between the US and Japan.

The US says that it is impossible to quantify what is meant by primary route in the aviation accord.

From the US point of view, Japan's refusal to grant United unrestricted "beyond rights" is an attempt unilaterally to redefine the bilateral accord in order to protect the country's airlines from international competition.

"In order to keep JAL viable, it was necessary to keep market share at all costs," says a

the US is taking excessive liberties with a bilateral accord that was signed more than 40 years ago when the aviation industry was dominated by US carriers and direct long-distance air travel was impossible. That view is shared by other countries such as Thailand and France which have abrogated their aviation treaties with the US. The UK in 1977 renegotiated its US aviation accord.

Meanwhile, Australia, which is also concerned about losing its share of travel to and from Japan, has put in a formal request to Northwest Airlines to limit one of its three flights from Tokyo to Sydney to US passengers only.

The Japanese government may have to push for a renegotiation of the aviation accord, a Ministry of Transport official said. However, as this would be politically difficult, Japan would prefer to reach agreement on how to define "primary route" as stipulated in the accord.

"It is a question of interpretation and application," JAL's Mr Sugimoto says. As aviation authorities face each other across the negotiation table, retaliation may have been averted for the time being. But as similar agreements between the US and Japan have shown, a difference of interpretation is usually the most difficult gap to breach.

The feeling in Tokyo is that

## Indians buy E German mill

By Judy Dempsey in Berlin

**D**ALMIA, one of India's largest private companies, yesterday moved closer to establishing a bigger foothold in Europe following its purchase of a cellulose and paper mill in the eastern German state of Thuringia.

The purchase of Zellstoff and Papierfabrik Rosenthal, which was arranged by the Trenhand, the agency responsible for the privatisation of east German industry, coincided with the visit by Chan-

cello, Helmut Kohl to south-east Asia.

The enterprise, which has an annual production capacity of 150,000 tons of sulphite and cellulose, and 6,000 tons for paper production, last year achieved a turnover of DM153m (£64.8m). Traditionally, its turnover was earned on the domestic market, but following a restructuring by the Trenhand, which cost DM46m, sales to west European countries now account for 90 per cent of turnover.

Dalmia, whose activities

range from cigarette, cement and chemical production to the textile and paper industry, has agreed to invest DM70m in the company immediately, and a further DM150m in the next two years. It will also guarantee 405 of the 550 jobs for three years. Dalmia's total turnover last year was \$725m, \$500m earned through exports.

Meanwhile, the Trenhand earlier this week announced it had privatised, or sold back to the original owners, more than 5,750 enterprises from 13,183 restitution claims.

## Hollywood script for actors in trade talks

By Nancy Dunne

MR Jack Valenti, president of the Motion Picture Association of America, yesterday attacked the EC for "building barricades between them and us" while removing barriers between its member states.

The US government must not "cut and run" at the Uruguay Round trade talks, he said. Enraged by a number of EC directives governing broadcasting, satellites and rental

rights, he said the EC is regulating "every nook and cranny of the audio-visual landscape" to restrict US access to its market.

The colourful former aide to President Lyndon Johnson warned that without full national treatment for US films and television programmes in the EC, "we will, like Banquo's ghost, haunt the edges of the marketplace, our clamours for access and equity unheard and unheeded".

## Hungary's motorway contract for French

By Nicholas Denton in Budapest

**T**RANSROUTE, the French toll-road operator, yesterday emerged ahead in the bidding to finance, build and operate Hungary's first private-sector motorway project.

Hungarian Euro-Expressway, a consortium led by Transroute Internationale, won the tender for a \$210m (£147.5m) extension of the M1 motorway to the Austrian and Slovak borders, the Budapest authorities announced yesterday.

Also participating in the consortium are Banque Nationale de Paris, the French bank, Strabag, the construction group, and OKHB and OTP, two Hungarian banks.

The European Bank for Reconstruction and Development, the London-based institution aiding eastern Europe, has also agreed to support the venture in a letter of intent concluded with Budapest. The Hungarian government is limiting its contribution to Ftbn (\$5.4m) for the acquisition of land along the route.

Hungary has an ambitious \$3bn programme to build two bridges across the Danube and nearly 600km of new motorway. Three consortia have already been shortlisted for a 130km extension costing \$460m (at 1992 prices) to the M5 south-eastern motorway down to the Serbian and Romanian borders. The bidders include the two finalists for the M1 tender and another group led by Bouygues, the French construction company.

Re-export boost for Dubai ports

Freight traffic at Dubai's two ports, Rasbid and Jebel Ali, rose by 18 per cent in 1992 to 1.48m containers, writes Mark Nicholson in Cairo.

Traffic was buoyed by a big rise in electronics re-exports to former republics of the Soviet Union. The emirate's older Port Rashid handled some 800,000 containers and Jebel Ali the remainder.

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## NEWS: INTERNATIONAL

## Hopes rise for restart of talks on colony's future

By Simon Holberton in Hong Kong

HOPES were raised last night that China would finally agree to talks with Britain about Hong Kong's political development when the colonial government issued a statement suggesting that an announcement of renewed dialogue was expected shortly.

A government spokesman said that Governor Chris Patten's executive council, his top advisory body, held a special session last night at which it was decided not to gazette a bill containing Mr Patten's proposals for a broadening of democracy in Hong Kong. He did not say when the bill would be published.

On Wednesday in the legislative council, the colony's law-making body, Mr Michael Sze, secretary for constitutional affairs, intimated that China would have to signal its agreement to talks for the government to postpone the publication of its legislation beyond the end of February.

Last night, the spokesman said the government would make a statement "explaining the position on this issue within the next few days." It is understood the government expects this announcement will concern a return to the talks with China.

Britain had planned to announce the start of talks last Wednesday, but Beijing failed to give the go-ahead. It is understood that Britain received a communication from the Chinese government suggesting it was nearing the end of deliberations which, for the past week, have left an announcement in abeyance.

The UK's position has been that it was willing to talk to China about the arrangements for Hong Kong's 1994-95 elections without pre-conditions. China has said it would be prepared to talk on the basis of past accords and understandings, while maintaining opposition to Mr Patten's plans.

## China continues to penetrate its future territory

IN June 1991, Mr T T Tsui, one of Hong Kong's new rich, was in London doing out HK\$16m to refurbish the Victoria and Albert Museum's display of Chinese antiquities. The Prince of Wales turned up for the occasion.

Last week, Mr Tsui was in Beijing for the launch of a business venture, New China Hong Kong Group, a company that plans to play the Hong Kong stock market and invest in China - this time with Mr Li Peng, China's prime minister, in attendance.

Mr Tsui's impeccable political connections are topped only by his ability to entice many of Hong Kong's leading businessmen to invest in his company. Mr Li Ka-shing, one of the colony's wealthiest men, Mr Stanley Ho, Macao's casino king, and Mr Kim For Yen, chairman of Lai Sun, a large property developer are but three of the colony's personalities who have contributed to the company's paid up capital of HK\$400m.

Sections of Hong Kong's

business and political establishment have taken more than a passing interest in Mr Tsui's new company. But their main concern is with the list of mainland Chinese investors and one in particular, the Hong Kong and Macao Affairs Office of the State Council (cabinet), HKMAO. This is China's top policy-making body on Hong Kong and reports directly to

one government official: "It has been vividly demonstrated that a mere statement from HKMAO can affect the Hong Kong stock market and indeed individual stocks. If Hong Kong people thought that an important agency of the Chinese government had a financial interest in its policy statements then they would be very concerned indeed."

### There is concern over the growing number of Chinese investors in Hong Kong and their interests, writes Simon Holberton

the prime minister; it is widely believed to lead the mainland investors who control about 32.5 per cent of New China Hong Kong's capital.

The Hong Kong government watches New China closely but is powerless to act. The Securities and Futures Commission, the colony's financial watchdog, vets management competence, not ownership.

Conflict of interest is the main concern. According to

This view has been echoed by merchant bankers and stock brokers in the colony.

However, western diplomatic observers of Hong Kong take a less alarmist view of the company. Says one: "It possibly does give them an advantage, but I don't think they are ready to compete with some of the more rapacious personalities in Hong Kong."

China has always had a presence in Hong Kong. Even in

the late 1960s Bank of China, China Merchants, China Resources and China Travel Service - collectively known as the "four heavenly sisters" - had a major role in the colony's economy.

China Merchants and China Travel Service have both floated subsidiaries on the Hong Kong stock market. Other Chinese enterprises, China International Trust and Investment Corporation, CITIC, are now vying with the old British "hongs", Jardine Matheson and John Swire.

The extent of China's ownership of assets in Hong Kong is not known with any precision. But last month, a Chinese government official was reported in the official media saying that in 1992 alone the mainland had invested US\$500m in Hong Kong and Macao, but gave no details.

"The real figure is a lot different from what they admit publicly," said a western diplomat.

In the past year, mainland companies have become signif-



T T Tsui: stiff competition from mainland investors

icant investors in, and users of, the Hong Kong stock market. The current market value of the mainland's investments in quoted Hong Kong companies is about HK\$45bn. The value of these investments is expected to grow significantly once

mainland Chinese companies begin to list directly on the Hong Kong stock market.

Mainland companies have also been among the largest buyers of property in Hong Kong. Brooke Hillier Parker, a property consultant, estimates

on the basis of publicly declared deals that mainland interests acquired property in Hong Kong with a value of HK\$20bn in 1992. That compared with purchases, mostly in the residential sector, totaling HK\$7.5bn in 1991.

Not everyone is optimistic. In a recent issue of Dandel, a magazine concerned with mainland politics and economics, an analyst writing under the pseudonym Wan Li Xing, charted China's economy, based on the way the Communist Party took over Guangzhou (Canton) and Shanghai 40 years ago.

Wan said that China would co-opt Hong Kong's leading businessmen by offering them political status as a reward for fostering Hong Kong's economic development. "After a certain period of time Hong Kong's economic system would be absorbed into China's. As a special economic zone, Hong Kong's economy would not be allowed to develop independently for ever."

## Ghosts of gold and dollars take to the streets of Beijing

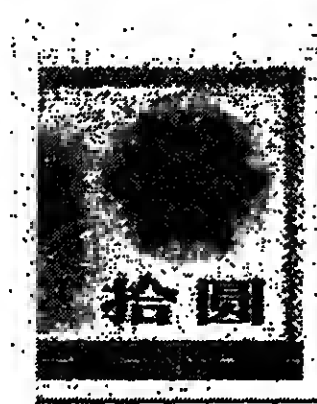
Demand is ballooning for hedges against any further devaluations in China's currency, writes Tony Walker

A Beijing newspaper this week told its readers two ghosts were wandering the city's streets - gold and US dollars.

This was a reference to ballooning Chinese demand for the two commodities as a hedge against the continued depreciation of China's currency, the Renminbi, amid persistent rumours of a further sharp devaluation.

The Beijing Youth Daily reported that in the six weeks to mid-February, the city's main department store sold some RMB4.47m (£542,253) worth of gold jewellery, double the amount for the whole of last year.

Chinese officials this week signalled alarm at the continuing pressure on the currency, although it was unclear whether this was genuine or connected with the presence in Beijing of a team from the Office of the US Special Trade Representative - the first high-level US delegation to

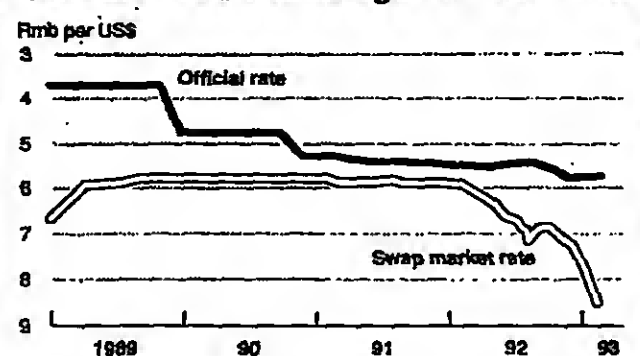


visit China since the change of administration in January.

The US, whose trade deficit with China last year reached \$150m, does not want a further depreciation of the Renminbi, as this would make Chinese exports even more competitive.

US officials have even been hinting that support for China's plans to rejoin the General Agreement on Tariffs and

### The Renminbi's slide against the Dollar



Trade may be conditional on it stabilising its exchange rate.

Chinese officials have pledged to move gradually towards a unified rate based on the "market value" of the Renminbi, but foreign bankers in Beijing are sceptical that a single market rate is possible soon.

Many of China's faltering state enterprises are dependent

on "subsidised" foreign exchange allocations for imports of raw materials and equipment.

Under China's foreign exchange system, there are broadly two rates: an administered "official" rate used largely for trade transactions under the state plan, and a more market-based rate determined in the 100 or so foreign



exchange "swap" centres throughout the country - where approved enterprises are allowed to buy and sell.

Some 60 per cent of foreign exchange transactions are conducted through these centres. There is also a street "black market" in many Chinese cities. Rates on the street shadow those in the swap centres.

Since December, 1989, China's official "administered" rate has depreciated by more than 60 per cent against the US dollar, due to several devaluations and a managed float of the Renminbi. At one stage, the difference between official and market rates was reduced to about 8 per cent, but in the latter part of 1992, as China's economic boom and consequent demand for imports gathered pace, the gap widened dramatically, with the differential this week standing at about 30 per cent.

With China's economy continuing to grow at a rate exceeding 12 per cent, there seems little prospect of the gap between official and market rates narrowing, unless the authorities resorted to strong administrative intervention - something they have vowed not to do.

Western economists in Beijing say that although Chinese officials are worried about inflationary pressures caused

by an overheated economy, accompanied by a surge in imports and pressure on the Renminbi, it was unlikely they would be stampeded into hasty action.

China's trade surplus reached about \$5.5bn in 1992, its foreign exchange reserves remain healthy at about \$50bn, and it continued to trade strongly through the first months of this year. "Maybe they will be happy to sit back and do little," said a western official.

That may prove to be the case, although a further widening in the gap between the official and market rates would almost certainly test the nerve of Chinese central bankers. China's plans gradually to unify its dual exchange rate system and bring about at least partial convertibility of its currency have been set back. Speculation against the Renminbi seems set to continue.

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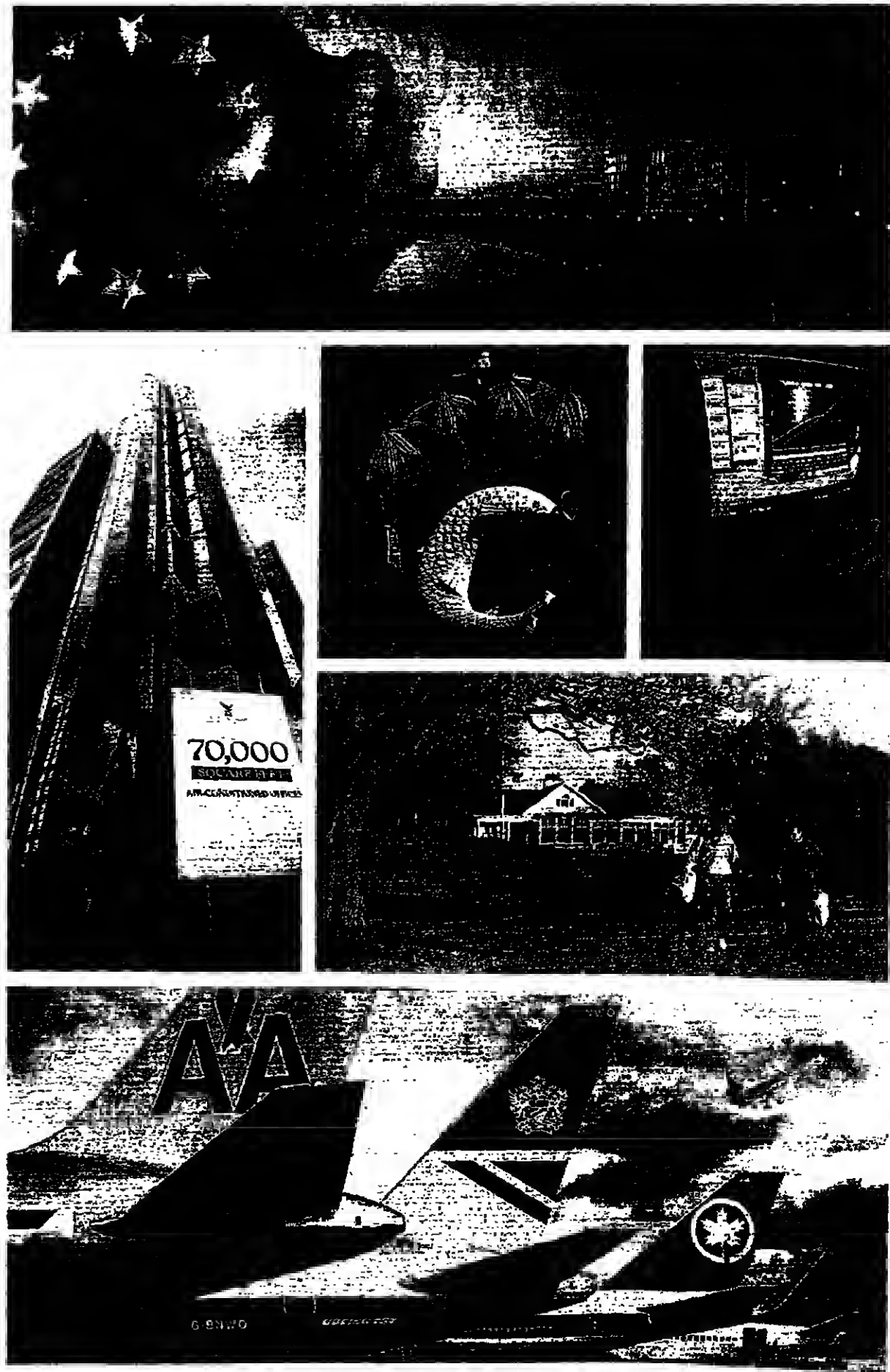
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## Christopher in push to restart Mideast talks

By Mark Nicholson in Cairo

MR Warren Christopher, US secretary of state, said yesterday he was ready to invite Arab and Israeli delegations to resume stalled Middle East peace talks in April, adding that his tour of the region made him "confident enough" that all parties were willing to return to the negotiations.

Mr Christopher's statement, made in Geneva after his departure yesterday from Jerusalem, came as senior Palestinian leaders said a US proposal to break the deadlock over 396 Palestinian deportees held the "elements to a solution" to the issue which has blocked the resumption of talks.

There is no indication yet whether the American proposals are acceptable to the Israeli government which prior to Mr Christopher's visit had appeared to rule out any further concessions on the deportees.

The revival of full bilateral peace talks by April would be deemed a successful conclusion to a tour which Mr Christopher and his aides hailed in advance as principally a chance for the new secretary of state to meet the main players and listen to the issues.

But in spite of continued US insistence that Mr Christopher carried no fresh proposals to break the deadlock which has encased the talks since Israel's deportation in mid-December

of alleged activists belonging to the Hamas Islamic movement, American diplomats have been quietly packaging a possible compromise.

Palestine Liberation Organisation officials in Tunis said yesterday that the US had proposed that Israel should accelerate the repatriation of the deportees and issue assurances that it would not resort to further expulsions in future.

Israel has previously stood by an earlier offer, made in consultation with the US, to repatriate 101 deportees immediately, and the rest within a year. Palestinian delegates rejected the offer, calling for Israel to implement United Nations Security Council resolution 789, which demands the return of all 396 immediately.

While the Palestinian delegation to the talks has not yet committed themselves to returning to the table, they issued a statement from Jerusalem yesterday saying that discussions on the US proposal were continuing and that they hoped to "solve outstanding issues in the near future."

Senior Palestinian officials in Cairo said talks on the proposal would continue quietly through "diplomatic channels" and that no formal acceptance of a compromise offer on the deportees was likely before Mr Yitzhak Rabin, the Israeli prime minister, travels to Washington to meet President Clinton next month.

## Indian security forces thwart BJP mass rally

By Stefan Wagstyl in New Delhi

INDIAN security forces yesterday thwarted an attempt by militant Hindus to hold a banned mass rally in New Delhi, at the cost of bringing the capital to a virtual standstill.

Some 80,000 police and troops kept demonstrators out of the city centre, forcing thousands of protesters to gather instead at five points where they staged noisy rallies and fought running battles with security forces for much of the day.

Thousands of protesters were detained, including Mr L.K. Advani and other leaders of the Bharatiya Janata Party, the right-wing Hindu party which organised the rally. The BJP said 50 demonstrators were injured, among them Mr M.M. Joshi, the party president, who was taken to hospital with head injuries.

The BJP claimed success in having forced the government to deploy so many police and troops. Mr Advani said the government had gone "berserk" and had "let loose a reign of terror" in the city. The BJP said 100,000 supporters had taken to the streets, though the figure was difficult to substantiate. Crowds at the biggest rallying point, in the BJP stronghold of Rajinder Nagar, numbered no more than 10,000.



A BJP member of parliament throws a teargas shell back at police after the attempt to stage a mass rally in New Delhi yesterday

The ruling Congress (I) party blamed the BJP for the disruption and said the rally had been a "complete failure and a flop". It said the rally had been banned because of the threat to public order. Although the BJP had promised to stage a peace-

ful event, the government is wary after its supporters stormed the Ayodhya mosque last December and set off nationwide inter-religious violence.

The BJP staged the demonstration to press demands for

lifting bans on Hindu militant organisations proscribed after the Ayodhya incident, including the RSS, a shadowy group from which many of the BJP's own cadres are drawn. The BJP wants elections in the four states in which BJP-controlled

assemblies were suspended after the mosque's destruction, and are also seeking a general election.

It is not clear how much yesterday's protests will have advanced the BJP's cause. Some New Delhi residents

blamed the party for disrupting their daily lives, but others condemned the government. BJP officials plan to decide their next step today.

The rally showed the BJP's organisational power and the dedication of its supporters. Because of the government ban, supporters had to smuggle their way into the city in ones and twos, then keep a low profile until yesterday. They were housed and fed for up to five days by party supporters in the capital. Among these was Mr Ramesh Babu, owner of a small bookbinding business, who said 25 people slept in his home. "I was proud to do it," said Mr Babu, who attended the rally.

The demonstrators travelled from as far away as Kerala, in the southern tip of India. They were young and old, with a strong middle-class element - including a tax consultant from Madras, a marine engineer from Bombay and a lawyer from Rajasthan. Their common wish was to give India a greater sense of identity as a Hindu nation. They said this meant removing privileges given to India's Moslems, notably the right to observe Islamic civil laws.

Harking on a standard BJP theme, Mr Babu added that India's Moslems could not be fully trusted because they favoured Pakistan.

## Kohl visit to Japan may herald closer ties

By Charles Leadbeater in Tokyo

JAPAN aims to initiate an extension of its political ties with Germany through talks over the next few days between Chancellor Helmut Kohl and government officials. Chancellor Kohl's visit which starts today could mark the start of a shift of emphasis in Japan's policies towards Europe.

Foreign ministry officials stress bilateral relations between Japan and the UK will not be affected by the more active approach Tokyo is taking towards Germany.

However, the plan to establish a broader political dialogue with Bonn marks a recognition in Tokyo that the future of Japan's relations with the EC as well as its involvement in eastern Europe will largely turn on its relations with Germany.

Foreign ministry officials said it was significant that the Tokyo talks would not simply focus on economic and trade questions, but would extend across a wide range of international issues.

Chancellor Kohl and Mr Kiichi Miyazawa, the Japanese prime minister, are expected to launch a bilateral discussion forum as the immediate focus for efforts to strengthen ties.

Such a move by the Japanese government is expected to encourage private sector initiatives to strengthen bilateral ties.

The talks are likely to focus on trade issues, particularly Japan's growing surplus and market-opening measures in Japan, as well as the promotion of foreign investment in eastern Germany.

Chancellor Kohl is likely to call for more Japanese aid to the former Soviet Union and to suggest Japan should invite President Yeltsin of Russia as an observer to the world summit in Tokyo in July.

Senior officials at the finance ministry and the foreign ministry are in favour of more aid, but this is strongly opposed by senior figures within the ruling Liberal Democratic Party.

The two leaders will also discuss possible revisions to the United Nations charter which could increase their influence within the organisation. Before his arrival in Japan, Mr Kohl made it clear he supports Japan's claim for a permanent seat on the UN security council.

Mr Kohl yesterday backed an Indonesian initiative to improve dialogue between industrialised and developing nations, adds William Keeling in Jakarta.

His support, however, may not guarantee an invitation for President Suharto to attend the G7 Tokyo summit in July as requested by Jakarta.

## Unita in continued attack on Huambo

THE central Angolan city of Huambo was under constant shelling yesterday and the streets were full of decomposing bodies from fighting between government troops and the rebel Unita movement, write Michael Holman in London and Reuter in Luanda.

In one of the first eyewitness accounts from Huambo, Angolan journalist William Tomet, trapped in the besieged city since early January, said the residents were in danger from Unita shelling whether they stayed at home or went out in the streets to look for food. He estimated that 10,000 to 15,000 people had been killed there.

A report published in London today says neither the MPLA government nor Unita can win an outright military victory. Compiled by the Economist Intelligence Unit, the report concludes that both sides will ultimately be "obliged to compromise."

It says that the resumption of the peace process will require a larger role for the United Nations. The UN has been monitoring the 1991 agreement which paved the way for multi-party democracy.

Oil, diamonds and other minerals, and an abundance of arable land, make Angola one of Africa's most richly endowed countries. "If Angola enjoyed political stability and good management, its economy should prosper."

● *Angola to 2000: Prospects for recovery*, Economist Intelligence Unit, 40 Duke Street, London W1A 1DW 071 493 6711. £245/£425.

## South Korea president sets goals

MR KIM YOUNG-SAM, who was inaugurated yesterday as South Korea's seventh president, said the main goals of his administration would be to deregulate the economy, eliminate corruption, and reverse a declining work ethic, writes John Burton in Seoul.

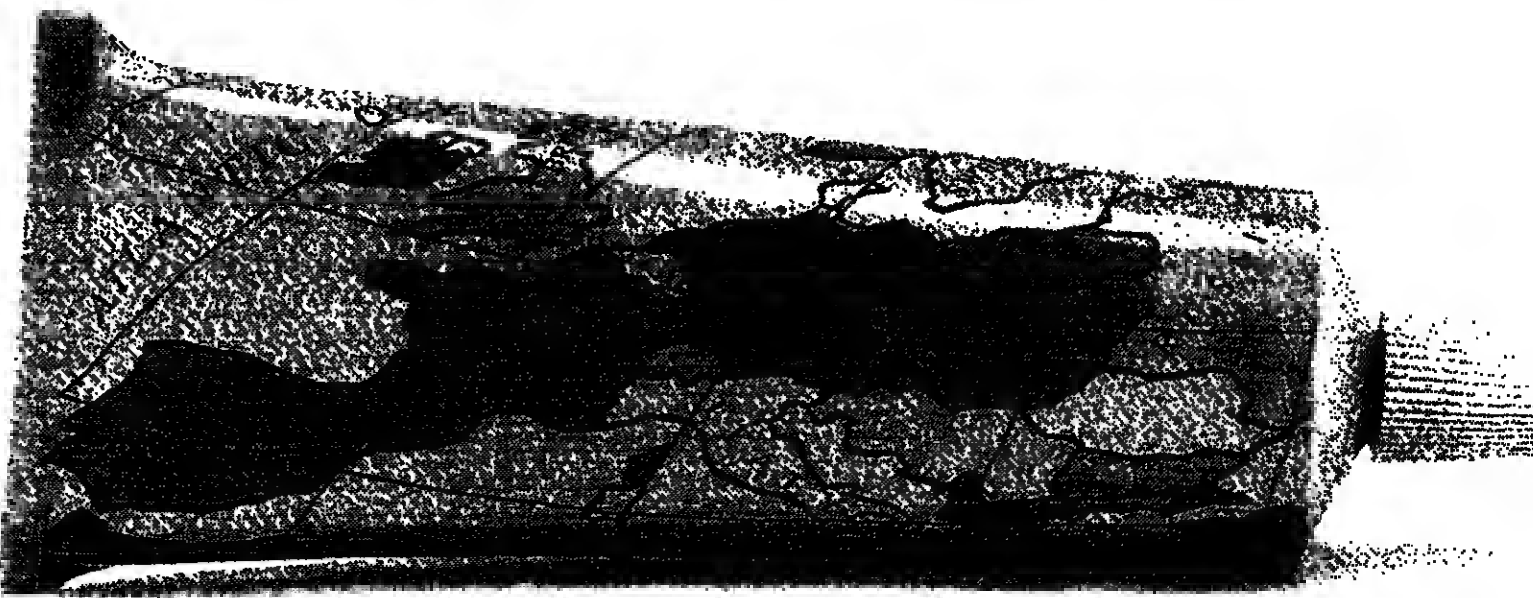
He also offered to meet Mr Kim Il-sung, the North Korean president, "at any time and any place" to discuss unification in what would be the first summit conference between the leaders of the two Koreas.

The 66-year-old former dissident leader declared in his inaugural address that his government, the first civilian administration in 33 years, would build a "New Korea."

Mr Kim said South Korea threatened to "become bogged down at the threshold of the developed world" after achieving considerable economic progress in the post-war era.

He blamed the country's problems on a declining work ethic and its centralised economic structure.

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## Car guidance system to get Scottish trial

By James Buxton, Scottish Correspondent

SCOTLAND could become the first part of Britain where cars are fitted with guidance systems to help motorists find the best routes to their destinations and provide instant warning of traffic jams.

The introduction of in-car guidance systems would follow the upgrading and expansion of traffic management systems for roads in the greater Glasgow area and north and south of the Forth estuary, including Edinburgh.

Lord James Douglas Hamilton, the Scottish Office roads minister, is expected today to reveal the four companies which have been shortlisted to bid for the upgrading of the two existing traffic management systems, the first stage of which will cost about £12m and eventually total £33m.

The new traffic management systems will measure traffic flows more accurately by means of electronic detectors under the roads. The information will be fed to a central computer and information about unexpected hold-ups and suggested alternative routes

will be displayed on new roadside indicator boards. It will also be fed to local radio stations for instant broadcast to cars able to receive dedicated traffic information.

The information received by the central computer can also be used to support in-car guidance systems. Motorists will be able to install receivers which, by means of displays or voice simulators, will alert them to traffic hold-ups and suggest alternative routes.

The Scottish Office will today issue a consultation document detailing how in-car guidance systems can be introduced in Scotland on a commercial basis. The names of the four companies which have been pre-selected from 20 applicants to tender for the project are thought likely to include GEC and Siemens.

The traffic management system is likely to be operating by late 1994. Scotland's lead may be partly due to its relatively simple administrative structure, with the Scottish secretary having responsibility for roads, local government and the police, which in England come under separate ministries.

## PowerGen seeks £140m to keep coal stocks

By Michael Smith

POWERGEN, one of the UK's two largest electricity generators, is seeking compensation of more than £140m (\$200m) over five years in return for agreeing to government requests that it keep coal stocks at existing levels to help preserve some of the UK's threatened 31 pits.

PowerGen's stance suggests the government package to save pits will cost considerably more than £500m - the subsidy the state-owned British Coal is estimated to need to sell at world coal prices.

The power plant capacity of National Power, the other generator for England and Wales, is 50 per cent larger than PowerGen's and, if anything, was conceded to its rival, would presumably demand half as much again.

Both companies' stocks are higher than anticipated at privatisation three years ago because of the recession, competition from nuclear power plants and a warm winter. Both were committed to buying coal on three-year contracts which end next month but are now switching to use more gas-fired generation.

### BRITISH COMPETITION POLICY

## Heseltine overrides fair trading regulator

By John Wilman, Public Policy Editor

THE DECISION by Mr Michael Heseltine, trade and industry secretary, not to refer the acquisition by Airtours of the Owners Abroad Group to the Monopolies and Mergers Commission has alarmed and surprised specialists in competition law in the UK.

It is the second time in two weeks that Mr Heseltine has overridden a recommendation from Sir Bryan Carsberg, the director-general of fair trading, to refer a merger to the commission.

Earlier this month, he rejected advice to refer a merger of the infra-red defence components businesses of GEC and Philips Electronics.

Until this year, the director-general's advice to refer a merger to the commission had been overridden on only 11

occasions since the arrangements for such referrals were put in place in 1973.

Mr Heseltine appears more willing than many of his predecessors to second-guess the director-general, who is the competition regulator.

More puzzling to observers, however, are the grounds on which Mr Heseltine is believed to have made his decision. It appears he felt that the case for referral on competition grounds was "finely balanced" based on the following factors:

• The large number of competitors in the package tour business.

• The ease of entry for companies wishing to enter the market.

• The speed with which companies' market share can change in the industry.

In taking these reasons into account, Mr Heseltine has challenged Sir Bryan's judgment

that the merger would reduce competition in the package tours market. Sir Bryan will have reached his recommendation only after detailed analysis of the package tour market.

Mr Stephen Locke, director of the Policy Unit at the Consumers' Association, described the decision as "baffling". "The substantive issues may have been finely balanced but the case for referring the merger to the MMC to review them was not."

Mr Heseltine gave similar reasons earlier in the month when he rejected referral of the merger of the GEC and Philips Electronics businesses. He felt the competition issues were not sufficient to justify a reference.

For Mr Thomas Sharpe, a barrister specialising in competition law, this shows a worrying tendency to override the advice of the competition

watchdog. Mr Sharpe accepts it might be appropriate for the trade secretary to refer a case to the Monopolies and Mergers Commission even when the director-general has not recommended referral.

This has happened on six occasions in the past. In three of these, Mr Peter Lilley, when trade and industry secretary, referred take-overs of private companies in the UK by state-owned foreign companies because he was concerned that they had an unfair advantage from their status as nationalised industries.

"Section 84 of the 1973 Fair Trading Act makes it clear that referral can be on several public interest grounds of which competition is just one," Mr Sharpe said.

"But when the competition watchdog says that a merger raises competition issues and

recommends referral to the MMC, the Department of Trade and Industry should not second-guess them and say that they know better."

There are also fears that a more interventionist approach by the DTI will encourage companies to lobby politicians over mergers.

One advantage of leaving it to an independent Office of Fair Trading is that campaigns on behalf of particular mergers on the grounds they are in the national interest or will save jobs are less likely to succeed.

Mr Locke of the Consumers' Association, however, said the decision throws into question the government's commitment to tighten competition policy.

He said: "What is the point of issuing a green paper on new legislation to strengthen competition policy when the government appears to hold the subject in such low regard?"

### MERGER ADVICE REJECTED:

#### Referral advised

1976 Tate & Lyle/Membre Garton

1977 Lorrain/Dunford & Elliot

1978 Imperial B Eastwood

1979 Thorn/EMI

1983 Cater/Glaxo

1983 Blue Circle/Abertaw

1983 Dalgety/BIM (agricultural division)

1984 Nasse/Carnation

1984 Cannon/Scovell

1984 Owens-Corning/Pidington Fibreglass

1991 BPS/Poliet (Pietras Lambert & Societe Anonyme de Matériel de Construction)

1992 General Electric Company/Philips Electronics

1992 Airtours/Owners Abroad Group

#### Referral opposed

1982 Lawrie/Hillingworth Morris

1983 GFI/Kasli/Sethby

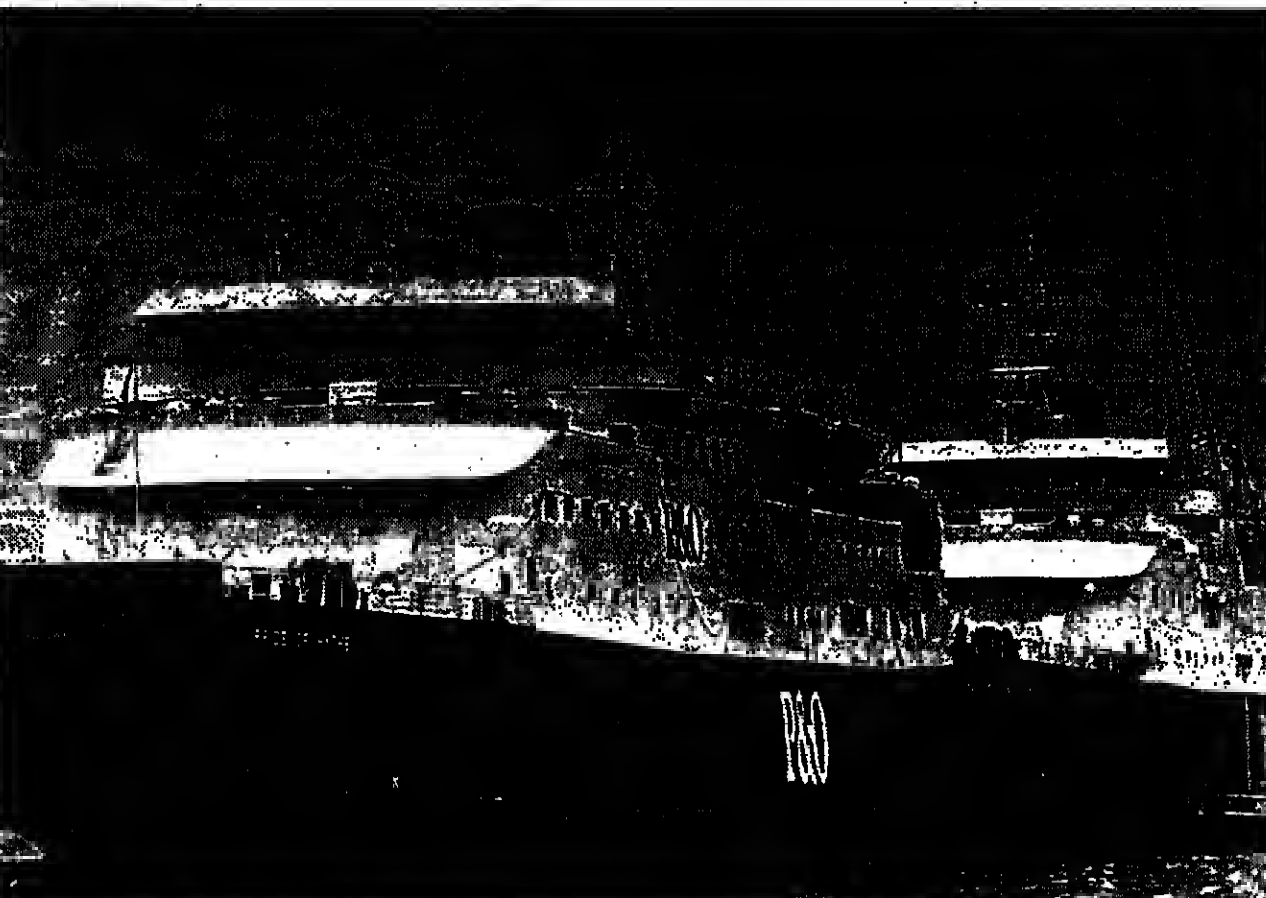
1990 Ramoness/Woodward Engineering & Laser

1990 Capell Lyons/Smith/ Woodchester

1990 Silco/Sigmet

1990 EN Aquitaine/Amoco

Cases where the Director General of Fair Trading's advice on referral to MMC was rejected



PAO European Ferries is finalising the sale of Pride of Canterbury and Pride of Hythe, currently docked at Tilbury. Launched in the 1970s, they were withdrawn when the Dover-Boulogne service closed. Two Greek shipping companies are thought to be the buyers

## GM raises output by 23% as Ford and Rover decline

By Kevin Done, Motor Industry Correspondent

GENERAL MOTORS of the US, the world's largest vehicle maker, increased its vehicle output in the UK by 23.1 per cent last year to 350,914 from 285,129 in 1991.

Car production by Vauxhall, GM's main UK subsidiary, increased by 12.6 per cent to a record 287,284, according to figures released by the Society of Motor Manufacturers and Traders. GM began engine production in the UK again last year for the first time since the early 1980s at a £190m V6 engine plant at Ellesmere Port, Cheshire.

The main setback suffered by GM in the UK was at Group Lotus, the heavily loss-making specialist sports car maker and engineering consultancy. Lotus output fell by 69 per cent to 691 from 2,240 a year earlier following the end of production of the new Elan sports car range. GM is currently considering

the disposal of all or parts of Lotus.

Ford of the US remained the leading vehicle producer in Britain despite a 2.2 per cent fall in output to 474,123 from 484,639 in 1991. A 10.9 per cent fall in Ford's UK car output (excluding Jaguar) to 302,416 under the impact of extensive short-time working in the second half of last year was partly offset by a 24 per cent rise in commercial vehicle output.

Rover, a subsidiary of British Aerospace, suffered a 4.8 per cent fall in vehicle output to 399,661 from 419,907 a year earlier, although it was narrowly the leading carmaker in the UK ahead of the Ford group.

Total UK car output rose by 4.4 per cent last year to 1,219,880. Lower production by Rover, Ford and Peugeot was offset by the rapid build-up of production by Nissan, the Japanese carmaker, which raised output at its Sunderland, Tyne and Wear, plant by 44 per cent to 179,009.

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## Big growth predicted from EC invisibles

By Emma Tucker

UK COMPANIES expect invisible earnings from the European Community to grow by 10 per cent over the next six months, according to a survey out yesterday.

British Invisibles, a trade group which promotes the UK's financial and other services abroad, said companies were "cautiously optimistic" about invisible earnings.

More than 60 per cent of the 99 companies surveyed thought the UK's departure from the European exchange rate mechanism was a positive influence on export performance, with only 7 per cent viewing it as negative. There was widespread concern about the possible impact of a stronger pound.

The survey, which covered several service sectors including accountancy, banking, commodities and futures, consultancy, insurance, legal services and tourism, found that 70 per cent of respondents forecast growth in their overseas earnings over the next six months.

British Invisibles said the most important export market was the combined region of the EC and the European Free Trade Association and most saw this region growing, albeit modestly.

Two-thirds of the survey's respondents considered the US to be their main competition in the Japanese market, with less than 10 per cent regarding France and Germany as significant competitors.

UK employers back revival hopes despite news of 13,400 job losses

## Major sees end to recession

By Peter Marsh, Peter Norman and Kevin Done

MR JOHN MAJOR, the prime minister, insisted yesterday that Britain was emerging out of recession despite one of the bleakest days on record for job loss announcements.

Mr Major's view appeared to be supported by a survey from the Confederation of British Industry, the employers' organisation, suggesting manufacturers may be starting to reap the benefits of sterling's devaluation and lower interest rates.

ICI announcement of 4,500 job cuts was followed by 2,400 job losses at British Gas and 6,500 redundancies in the British army under the second phase of the Options for Change plan, the government's

reform package.

In Washington, Mr Major said, after meeting President Clinton, Britain was moving out of recession. He blamed the recession's "painful kick-back" for yesterday's job losses.

However, Mr Robin Cook, the opposition Labour party trade spokesman warned that it was "a serious possibility that within this parliament the government could end up with more people out of work than are employed in manufacturing industry."

Mr Ian McAllister, chairman of Ford of Britain, called yesterday on the government to develop urgently an industrial policy to restore the UK's economic strength and re-establish its competitive position.

He attacked previous Conser-

vative governments for "side-stepping" the issue of industrial policy during the 1980s. It was a "myth" that services could generate the wealth the country needed to survive, he said.

Declining economic activity in Germany and France and fears that recession will spread to other continental European are set to dominate informal discussions of the Group of Seven finance ministers in London tomorrow.

But Mr Norman Lamont, the UK chancellor of the exchequer and host of the meeting, will underline that Britain has done enough by way of fiscal stimulus and lower interest rates to return its economy to growth.

The CBI's latest monthly

industrial trends survey found that manufacturers' order books, though still depressed, were at their best levels for two-and-a-half years.

Manufacturers reported improved output expectations for the fourth month running in January, indicating the easing of UK monetary conditions since September was enhancing competitiveness.

For the second consecutive month, manufacturers indicated they expect to increase output in the next four months. Export orders also improved substantially compared with January, suggesting devaluation may now be helping to raise demand from foreign customers.

Gas job losses, Page 19

## Britain in brief



### Bank chief urges loan subsidies

Mr Brian Pearse, chief executive of Midland Bank, last night called for the government to subsidise banks to provide loans to small businesses, and to give tax breaks to individuals to provide new forms of equity finance.

It is the first time a bank chief executive has publicly indicated that losses suffered by banks on small business lending may lead to them limiting their exposure to small companies unless they receive public subsidies.

Mr Pearse admitted that banks had sometimes "pulled the rug too soon" from under struggling small companies. But he said tax incentives were needed because otherwise the return on equity capital for small businesses was not high enough.

### Ambulance system flawed

The government faced political embarrassment over a report cataloguing repeated examples of flawed management leading to the collapse of the London Ambulance Service (LAS) computer system.

Mr Jim Harris resigned as chairman of the LAS board when the report was published and Labour MPs called on Mr Tom Sackville, the junior health minister responsible for the ambulance service, to join him in resignation.

Mrs Virginia Bottomley, health secretary, has given health authority officials a month to produce arrangements for better accountability in the service.

### Army defends redundancies

The Army has defended its decision to include several officers serving in former Yugoslavia among 628 being

made compulsorily redundant in its latest round of job cuts.

"We honestly could not exclude someone simply because he happened to be serving somewhere on February 25," General Sir David Ramsbotham, the adjutant general, responsible for army personnel, said after strong criticism of the move from opposition MPs.

Eight officers currently in Bosnia and Croatia were among those told by their commanding officers yesterday that they had to leave the army, in addition to nine whose applications for voluntary redundancy were accepted. A further 80 non-commissioned soldiers in former Yugoslavia are also being made redundant.

### Boost in unit trust sales

The unit trust industry had its best month for more than two years in January, with net sales of £505m pushing funds under management to a record high of £66.1bn.

The sector is benefiting from the recent highs in the UK stock market and from the fall in base rates, which has forced savers to consider alternatives to the building society. The effect of the 1987 stock market crash has now dropped out of five year performance statistics, which regulations require unit trusts to show investors.

### Fraud charges cut back

Fraud charges faced by Mr Roger Levitt and three other former directors of the Levitt Group, the collapsed financial services company, have been drastically cut back by the trial judge, Mr Justice Laws.

Mr Levitt, along with Mr Mark Reed, Mr Alan McNamara and Mr Robert Price, will face just one charge of fraudulent trading contrary to Section 458 of the Company's Act when their trial begins in September.

After his arrest, Mr Levitt was charged with 62 offences. This was later reduced to 22. The remaining joint charge - denied by all four defendants - alleges they fraudulently produced and distributed false accounts about Levitt Group and fraudulently injected funds into the company.

### Opera seeks finance chief

The Royal Opera House Covent Garden is seeking a Director of Finance and Resources. The person appointed will have a broader role than the current Director of Finance, Mr Philip Jones, who, after illness, will stay on with Covent Garden in another senior post, perhaps concerned with the projected re-development programme.

The Royal Opera House denied that the new position is its reaction to last year's critical Arts Council review of its workings, headed by Baroness Warnock, which advised that Covent Garden should be "financially led", rather than "artistically led". A fall in box office revenue caused by the recession will mean that the Royal Opera House will add this year to its accumulated deficit of around £2.5m.

### Audit merger considered

The UK's six principal professional accountancy bodies are canvassing their members' views on increased cooperation which could ultimately lead to a series of mergers.

An independent market research organisation has been hired to question accountants about a range of options on "rationalisation" which would include reducing the current number of different bodies.

### M0 increase

M0, the narrow measure of the money supply, rose in the year to the end of this month by about 4.2 per cent, above its target range of 4 per cent for the second month running, according to estimates based on Bank of England figures.

### Meetings on bus strike

Representatives of London bus workers will meet next week to decide when they will launch a series of one day strikes in protest at a bid by London United to buy out their existing terms and conditions. Staff at 8 out of the 10 bus companies serving London this week voted for industrial action.

## MPs say Bank 'fell down' on BCCI regulation

by David Owen and Robert Peston

THE BANK of England was accused yesterday by MPs of failing "to discharge its supervisory duties" in respect of the Bank of Credit and Commerce International, the corrupt international bank which was closed in 1991. The treasury and civil service committee also said that the absence of disciplinary action against Bank employees in the wake of the BCCI

affair undermined the "future effectiveness of the Bank."

This was because it might lead staff to conclude that poor performance carried "no adverse consequences" for them. The report added: "We consider it is incumbent on the Bank of England to accept responsibility for its failure as the supervisor of BCCI."

But Conservative MPs on the committee excised a sentence from the report demanding the government reconsider the question of compensation for

BCCI's UK depositors.

Mr Giles Radice, acting chairman, said the committee's central finding - that the Bank "fell down" on its job as a supervisor - was backed by the whole committee.

Plans were in hand for the body to conduct a wide-ranging inquiry into the Bank's general role in supervising financial markets, said Mr Radice. There was now "a strong case" for separating the Bank's regulatory and monetary roles.

The Bank said it did not accept "either the judgements or the conclusions" of the committee.

There was "nothing new in the report at all: it is simply a précis of all the negative parts of the Bingham report," an official said.

It is widely accepted within the Bank that the "culture" of the supervision department was not aggressive enough for the Bank to take effective action against an institution as fraudulent as BCCI.

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A wooden oar looks more than a little incongruous leaning against the wall in the glass, chrome and leather office of Audi's new chairman.

But Franz-Josef Körtüm, 42, sets great store by the welcoming gift presented to him by Ferdinand Piëch, who moved out in January to take the wheel at Volkswagen, Audi's lacklustre parent.

It is a symbolic reminder of the responsibilities of a steersman, says Körtüm. But it also has what amounts to an explicit directive burnt into the blade: "Audi, the most attractive European in the world market."

Piëch's parting homily lacks the appeal of the brand's world-renowned "Vorsprung durch Technik" slogan, but then the author is an engineer, not a copywriter. Körtüm, by contrast, is a salesman, hardened on the forecourts of the family motor business, tempted away from Mercedes-Benz last May to take charge of Audi's new marketing division and promptly bumped up to the top job in Volkswagen's showpiece subsidiary.

His arrival from relative obscurity outside the closed circuit of Volkswagen management, his youth and his business background provide ample fuel for speculation on Piëch's mould-breaking intentions within VW's hide-bound central bureaucracy in Wolfsburg.

Despite the apparent risks of appointing a young unknown, the clues Piëch left behind at Audi show the new group chairman is no gambler. He prepared the ground meticulously before handing over. Plans to extend the model range - with a new flagship V8 car at the top and a cheaper model to slot in below the popular Audi 80 at the bottom - were already well advanced at the time of his departure. A dedicated marketing division, separate from that of VW, was established a year ago.

Since then Piëch has replaced most of the old hands at the Audi helm. Most recently, he poached a production director, 48-year-old Jürgen Gebhardt, from his job as manager of General Motors' brand-new, low-cost Opel works in Eisenach, eastern Germany.

Erich Schmitt, 46, was brought in from Vauxhall, another GM subsidiary, to fill a new board seat devoted to purchasing, finance and organisation.

Sitting in Ingolstadt, Bavaria, Körtüm contemplates his inheritance. Behind Mercedes-Benz and BMW, he states, the Audi marque is recognised as the third German player in the quality car market.

There is less than one percentage point between the market shares of the three inside Germany, where

Audi's new chairman has inherited ambitious plans for the German car group, writes Christopher Parkes

## Driving force



Mercedes had 6.5 per cent last year. Customers are relatively well-off. Most Audi buyers in Britain and the US are well-educated, senior, white-collar workers or managers. A typical German customer, who may not have spent so much time at college, takes home double the national average pay.

Even so, the vast bulk of sales in Germany are still accounted for by the more modest models bearing the Audi 80 badge.

"What we need now is to stabilise our position in the top rank. Perhaps I can explain in a picture..."

Here we are in our Audi house."

Villa Audi has two sound middle storeys, represented in Körtüm's "picture" by the popular Audi 80 and the upmarket 100 model. But it has a flat roof and no ground floor. It needs a fine, status-symbol roof to reflect the charisma of the whole structure. This is the role of the incoming V8, due out next spring.

The front garden, he adds, is represented by the distributors. Although many Audis will continue to be sold with other group brands, selected dealerships in key urban centres - a matter for negotiation

with Wolfsburg - will be dedicated as prestige showplaces for Audi. The purchase of the British sales network from Lounie and the takeover of 17 JAX distributorships in the Tokyo area, mark the beginning of this process.

Meanwhile, the house needs more structural work. Körtüm is preoccupied by the fact that Villa Audi still lacks a ground floor and, by implication, an easily accessible front door.

Customer profiles show the average Audi purchaser in Germany is aged 48, in Britain 45 and somewhere between the two in the US. Although Körtüm claims there is a downward trend at the lower margin of the age profile, he admits there are still too few young people on dealers' registers.

Enter the Audi 50 - a car pitched close to the market position now occupied by the evergreen VW Golf. Körtüm sounds less than certain when he promises its arrival for sometime in the second half of the decade. However, he considers it essential for his strategy of drawing in new buyers early and keeping them moving upstairs in the Audi house rather than down the road to Mercedes.

He recognises the strengthening tendency for car buyers to switch brands more readily. New competition is emerging from all sides - not least from Mercedes, which also plans to introduce a cheaper entry-level model to its heavyweight range. Demand is also undergoing subtle changes influenced by a reluctance among the well-off to flaunt their possessions. Environmental awareness is generating new trends in taste and behaviour.

Despite the present structural deficiencies, Körtüm considers Audi well-armed to cope. The marque's carefully nurtured reputation as a high-tech maker will be protected. The "Vorsprung durch Technik" selling line will remain, however, future promotions will be "a bit more emotional", extending the appeal to people looking for a "sympathetic" brand.

These qualities, he promises, will become wholly apparent with the launch of the flagship V8. "It will be elegant and overall an environmentally-compatible compromise in terms of weight, fuel consumption and recyclability," Körtüm claims.

That may be so, but Körtüm, who is faced with having to cut Audi's total output by up to 15 per cent this year and does not foresee an upturn in the depressed motor market until 1995-96, cannot hope for more than modest early sales.

While the recession runs its course, his oar will act as a reminder of why he was brought in. His job is to ensure the brand's new age aura is radiating at full wattage when Villa Audi is complete.

The phrase "charge of the light brigade" has been associated in Britain for almost 140 years with a self-inflicted, but glorious military defeat in the Crimean War, when Lord Cardigan's cavalry rode out to capture the enemy's guns but was annihilated by them.

In the future it could take on a more modern meaning: the outcome of ICI's bold decision yesterday to go ahead with its plan to de-merge into two. For, among other influences, the plan reflects the final triumph of decades of pressure from ICI's self-christened "light brigade" to get out from under the resource-hungry weight of the company's bulk chemicals side and make a dash for growth in pharmaceuticals and elsewhere.

By de-merging, ICI will expose Zeneca (pharmaceuticals and agrochemicals) and the new ICI (bulk chemicals and paints) to the almost certain fire of stock market predators. But it will also put them under an unprecedented degree of market and managerial discipline.

Whether the move results in victory or defeat, it will be seen by future business historians as in keeping with the times and entirely logical. In many senses it marks merely a further stride in a stampede of strategic revisionism which has gripped western industry over the past decade. The new orthodoxy argues:

● Cross-business "synergies" of any kind - technological, marketing or any other - are far more elusive than was thought in the 1960s and 1970s.

● Diverse corporate portfolios are hard for stock markets to understand and value, and for executives to manage, especially in an era when most individual businesses are growing more global.

● The most effective way to create value for both the customer and the shareholder is therefore to substitute diversity with focus.

● There has also been a growing realisation that focus is not just a matter of concentrating on businesses in related product markets, technologies and geographic areas. As Hanson, BTR and other specialist conglomerates have shown, it is even more a matter of the managerial characteristics of those businesses, such as the relative maturity of their industry, their technology and marketing intensity, and their investment-time horizons. A set of businesses without similar managerial characteristics is difficult for the same company to "parent" effectively.

In the terminology formulated by Britain's Ashridge Strategic Management Centre, which is

## Shaking off the heavy brigade

Christopher Lorenz argues that diversity is dying



ICI's move will be seen by future business historians as in keeping with the times and entirely logical

Influential in this field, these principles apply to "vertical parenting" - the relations between the group corporate centre and an individual business - and to "horizontal parenting" - the centre's ability to foster synergies between the different businesses. Growing awareness of the importance of these various types of relatedness and focus has spurred the flood of divestments and the growing number of de-mergers.

Companies have not just "spun off" diversifications they made through acquisition, but which have failed. They have also divested businesses which they developed organically, but for which they are no longer a suitable "parent".

One of the clearest examples of the second type - leaving aside stock market-driven de-mergers such as Baccal's 1991 split with Vodafone - was the separation three years ago of the British Courtlaids combine into a chemicals and a textiles group. Martin Taylor, chief executive of the latter, points out not only that the

shares of both companies have outperformed the stock market ever since, but that the split has enabled each management to concentrate more single-mindedly on its own industries.

Which brings us back to ICI's "light brigade". For the best part of the last 40 years, this band of managers - especially those running pharmaceuticals, but also those at agrochemicals, paints and some specialties - felt frustrated at the priority given to the heavy side by the ICI board, which until very recently was dominated by heavy chemicals people.

Andrew Pettigrew, a Warwick University professor of strategic change who researched an acclaimed study of the company more than a decade ago, says: "There's always been an atmosphere of great distance between pharma and heavy chemicals at ICI." As long ago as the 1960s, he says, the "light brigade" felt neglected and starved of funds. This attitude fermented through the 1970s and early 1980s, he recalls, as the internal power of the "heavy brigade" persisted long past the point at which its side of the business was the more important in terms of profitability and growth potential.

In the minds of the "light brigade", the thinking behind the de-merger goes back to the mid-1970s, says Pettigrew. But only since the mid-1980s has its weight on the board been sufficient to give its view real force.

It should be clear from the foregoing that the managerial logic behind ICI's de-merger makes it by no means a peculiarly Anglo-Saxon move, as critics have alleged. In common with Union Carbide in the US, France's Rhône-Poulenc has already been moving in a similar direction through a string of divestments.

By the same token, the new Zeneca and ICI portfolios will be far from sacrosanct. A management consultant who specialises in the chemical industry says that much so-called synergy in chemicals is merely "historical". He agrees different chemical businesses often share technology and production facilities, partly because they have grown out of each other. But, "unlike the branches of a tree, little sap sometimes flows between them - or needs to".

So Zeneca and the new ICI are quite capable of being dismembered by outside intervention. In military terms, they will both now mount a charge for victory. But they could still suffer the sort of treatment meted out to Lord Cardigan and his men in 1854.

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In the remote south of Zambia, not far from the banks of the Zambezi river, about 50 women sit under the shade of an immense tree. All carry infants, most less than a year old. Some mothers have travelled nearly 50 miles on foot, carrying children on their backs for up to two days.

The mothers' trek allows them to participate in the worldwide battle between disease and man-made vaccines. The event is part of the Expanded Programme of Immunisation, run by the World Health Organisation. Its aim is to vaccinate children against six childhood diseases: polio, measles, tuberculosis, diphtheria, whooping cough and tetanus. By the end of 1990, the programme had helped inoculate 80 per cent of the world's children against these diseases. The target is 90 per cent by 2000.

The vaccines involved in the programme are well-established products that have considerable drawbacks. The main problem is although those for diphtheria, tetanus and whooping cough can be injected together, other vaccines cannot be used simultaneously because they interact with each other. Others have to be boosted by further doses to create immunity. This means the Zambian mothers will have to repeat their journey if their child is to be fully immunised. The logistics involved mean not all children complete the vaccination course.

In addition, many vaccines are heat-sensitive. In tropical countries with little primary health care, a special transport infrastructure must be built up specially to ensure the vaccines have been kept cold and are still potent.

### The market growth has been helped by a reduction in the level of litigation associated with vaccination

However, the application of biotechnology and, in particular, recombinant DNA technology, is leading to a second generation of vaccines. These are more resistant to heat and less likely to interact with each other. They are also safer than first-generation products, with fewer side-effects. These new technologies are also opening up the possibility of inoculation against a far wider range of diseases, ranging from herpes and hepatitis to AIDS and even certain forms of cancer.

The creation of vaccines for diseases against which it was previously impossible to inoculate is driving the growth of the world vaccine market. Previously, vaccines were low-priced, high-volume com-

Paul Abrahams continues a series on drug discoveries by examining the latest advances in vaccines

## On target with a single shot

modity products. The sector was dominated by demography - how many new-born children required vaccination.

However, the market, valued at about \$1.5bn (£1bn), is expanding at 15 to 18 per cent by value, faster than the traditional pharmaceutical market, according to Institut Mérieux, the French group. The new products, for the most part generated through biotechnology, can be patented and therefore command higher prices than their traditional commodity counterparts.

The market growth has been helped by a reduction in the level of litigation associated with vaccination. Some vaccines create side effects in a small number of patients. In the US, vaccine companies found themselves involved in product liability claims.

First-generation vaccines come in three forms.

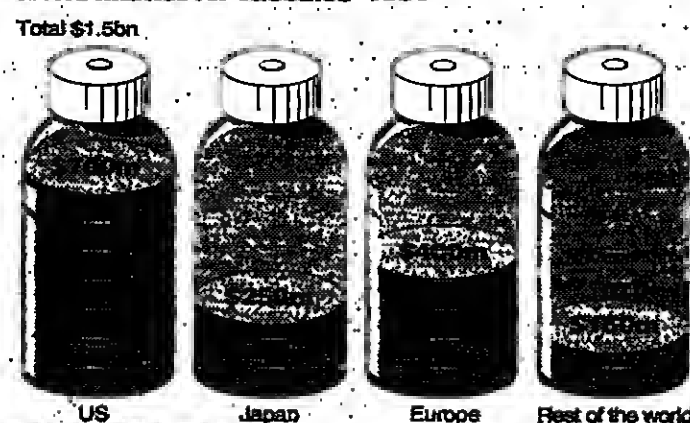
● Live vaccines are based on weakened strains of the micro-organism causing the disease. These provoke an immune response from the body without generating the full-blown disease. When an inoculated patient is later infected naturally, the body's immune system is ready to react against the disease.

● Inactivated vaccines involve creating immunity by injecting micro-organisms that have had the dangerous elements within them inactivated or have been completely killed. The obvious risk associated with these killed vaccines remains the danger of injecting patients with only partially inactivated organisms. Outbreaks of tuberculosis and polio have occurred because of poorly prepared vaccines. On the other hand, if the inactivation is too effective, then poor immunisation occurs - sometimes even leading to patients being more sensitive to later infection.

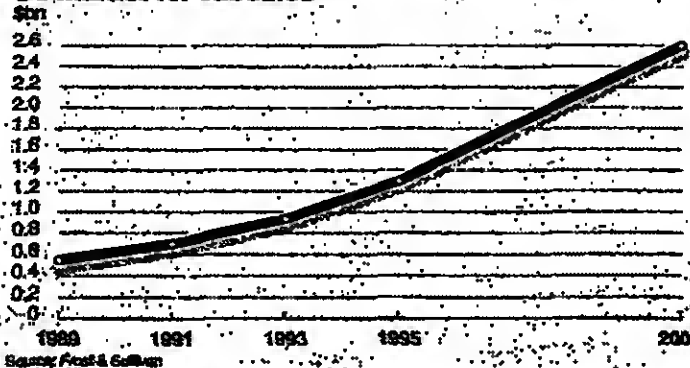
● The third type of first-generation vaccine involves inactivated toxins - such as tetanus.

The second-generation products are mostly based on recombinant DNA technology. This allows the previously hazardous attenuation process to be carried out more effectively. The genes within an organism that lead to the disease can be

World market for vaccines - 1991



US market for vaccines



identified, and then inactivated or cut out. The weakened organism can then be bred by using something as simple as yeast. When injected into the body it creates an immune response.

The rapid growth of the market is driven by new products for previously untreatable diseases. Ignace Goethals, senior vice-president of SmithKline Beecham's vaccine business, believes 40 per cent of the world market is made up of hepatitis vaccines. Eight years ago, none existed. Sales of SB's Engerix-B, a hepatitis B product, grew from \$103m in 1991 to \$267m last year.

The next generation of products to drive the market will be multi-dose products, combining a number

of vaccines in the same dose, says Michel Greco, European director at Institut Mérieux. The eventual aim, set out in a WHO programme called the Children's Vaccine Initiative, is to create a super-vaccine. This should require only one or two doses, be given orally, be heat stable, have a low rate of side effects and be affordable.

However, while a laudable target, the super-vaccine is technically a long way off, says Greco. In the medium term, any vaccine is likely to remain injectable rather than oral. Institut Mérieux is registering a product which covers diphtheria, tetanus, whooping cough, HIB (against meningitis) and polio in a single injection. The next aim is to

add hepatitis B, which should be developed by 1997.

In the long term, one technology that should prove useful in creating multidose vaccines is microspheres, says Greco. This would involve covering the different vaccines with retardant coatings that dissolve at different speeds. These should allow the vaccines to be released into the body at different times, preventing interaction. But this technology could take 20 years to develop.

The rapid expansion of the vaccine industry has led to changes in its structure. In the past, the industry has been dominated by a few competitors with international sales structures, notably Institut Mérieux and SmithKline Beecham in Europe and Merck and Lederle in the US.

Although the market is growing fast, the barriers to entry remain immense, says Greco. They include: ● Large development costs. A long-term Swedish clinical trial designed to test the safety of a whooping cough vaccine involves 50,000 children.

● Significant manufacturing costs. Each product needs to have its separate production line and often a separate building to prevent contamination. Ensuring that vaccines are potent but not dangerous requires considerable expertise.

● Marketing reach. To keep down production costs, companies must be international, supplying large volumes around the globe. ● Products. Groups must be able to supply customers with the range of products they need. Moreover, as multi-dose vaccines become more important, companies must have access to the range of vaccines necessary to put them together.

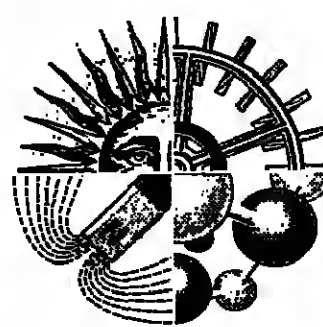
In spite of these entry barriers, the emerging technologies allow small companies to enter the industry. They are typically biotechnology companies that create a vaccine but do not have the means to develop and market it. Their products are instead licensed to the larger groups.

Although growth in the vaccines market has been rapid, the sector remains concerned that pricing could hold it back. This month US President Bill Clinton attacked the industry, claiming low US vaccination rates were due to the high prices of vaccines. SB's Goethals denies this, pointing out that 90 per cent of vaccination costs are related to the healthcare infrastructure and only 10 per cent to the vaccine.

Paradoxically, the single-shot vaccine programmes originally aimed at reducing the burden on those mothers by the Zambis may also boost the health of America's inner cities.

The series continues next month with a look at drugs for the treatment of high blood pressure.

### Worth Watching · Della Bradshaw



#### Counting on the zeta potential

ZETA potential has little to do with starchy galaxies or even movie starlets. It involves the way particles interact in a liquid.

When ions in the liquid attach themselves to the charged particles, they affect the speed with which the particles move. This velocity (the zeta potential) can be measured when an electric current is applied.

By measuring the zeta potential companies can calculate how liquid products will react over time and so cut down on testing. Lots of movement means the liquid will form a long-lasting emulsion - good for face creams - while a low score means the liquid will destabilise, useful in oil recovery.

The Zetamaster, from Malvern Instruments, should enable medium-sized companies to carry out the tests at the press of a button. Malvern Instruments: UK, 0684 892456.

#### A direct line to cholesterol

Biotechnology specialist Genzyme, of Cambridge, Massachusetts, has been granted clearance to sell a test kit to US laboratories for measuring the level of low-density lipoprotein (LDL) cholesterol - or "bad" cholesterol - in the patient's bloodstream.

LDL is recognised as a primary factor contributing to coronary heart disease and atherosclerosis - clogging of the arteries. The kit enables laboratories to measure directly the levels of LDL in a sample and so cuts down the time needed to get the test results to the doctor and patient.

The traditional method of determining LDL involves indirect measurements using calculations and means the patient has to fast for 12-14 hours

before the test is conducted. Genzyme: US, 617 252 7570.

#### Favourite mobile phone of the year

The Cellnet award for the best mobile phone of the year has gone to Panasonic for its I Series phone. The phone also won the sub-categories for features innovation and pocket-to-car mobility - the back light colour (green or orange) even changes to match the dashboard display lighting in the car. The overall runner-up was the Motorola MicroTac II, which also won the award for ergonomic excellence. Cellnet: UK, 0753 504000. Panasonic: UK, 0344 853239. Motorola: UK, 0256 817474.

#### Computers talk on the radio

Japanese manufacturer Sharp has launched the first personal organiser with a touch screen and the ability to communicate with another organiser by radio. By touching icons on the screen of the IQ-9000 different functions can be carried out - calculations, filling or word processing. A sketches drawn on the screen can be used to annotate written text - a map could accompany an address, for example.

The infra-red link enables data to be transferred between one IQ and another up to 80cm away. The proprietary software also enables the gadget, which sells for £349.99, to send data to a fax machine or modem. Sharp: Japan, 06 621 1221; UK, 071 493 8258.

#### Sending the baby to sleep

The Japanese are now going wild over something the British have had for years - a cassette which calms crying babies and persuades them to sleep.

The soundtrack, put together by Roger Wannell, of Somerset, combines three rhythms with a background of "pink" noise. Although to adults the track sounds like a washing machine, to a baby it sounds like a combination of the mother's womb and the human voice. The British Technology Group has licensed the soundtrack to Victor Musical Industries, a subsidiary of JVC. JVC: Japan, 03 3242 6520. BTG: UK, 071 403 7586.

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ECU 80,000,000

9% Notes due March 29, 1995

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000001	000002	000003	000004	000005	000006	000007	000008	000009	000010	000011	000012	000013	000014	000015	000016	000017	000018	000019	000020	000021	000022	000023	000024	000025	000026	000027	000028	000029	000030	000031	000032	000033	000034	000035	000036	000037	000038	000039	000040	000041	000042	000043	000044	000045	000046	000047	000048	000049	000050	000051	000052	000053	000054	000055	000056	000057	000058	000059	000060	000061	000062	000063	000064	000065	000066	000067	000068	000069	000070	000071	000072	000073	000074	000075	000076	000077	000078	000079	000080	000081	000082	000083	000084	000085	000086	000087	000088	000089	000090	000091	000092	000093	000094	000095	000096	000097	000098	000099	000100	000101	000102	000103	000104	000105	000106	000107	000108	000109	000110	000111	000112	000113	000114	000115	000116	000117	000118	000119	000120	000121	000122	000123	000124	000125	000126	000127	000128	000129	000130	000131	000132	000133	000134	000135	000136	000137	000138	000139	000140	000141	000142	000143	000144	000145	000146	000147	000148	000149	000150	000151	000152	000153	000154	000155	000156	000157	000158	000159	000160	000161	000162	000163	000164	000165	000166	000167	000168	000169	000170	000171	000172	000173	000174	000175	000176	000177	000178	000179	000180	000181	000182	000183	000184	000185	000186	000187	000188	000189	000190	000191	000192	000193	000194	000195	000196	000197	000198	000199	000200	000201	000202	000203	000204	000205	000206	000207	000208	000209	000210	000211	000212	000213	000214	000215	000216	000217	000218	000219	000220	000221	000222	000223	000224	000225	000226	000227	000228	000229	000230	000231	000232	000233	000234	000235	000236	000237	000238	000239	000240	000241	000242	000243	000244	000245	000246	000247	000248	000249	000250	000251	000252	000253	000254	000255	000256	000257	000258	000259	000260	000261	000262	000263	000264	000265	000266	000267	000268	000269	000270	000271	000272	000273	000274	000275	000276	000277	000278	000279	000280	000281	000282	000283	000284	000285	000286	000287	000288	000289	000290	000291	000292	000293	000294	000295	000296	000297	000298	000299	000300	000301	000302	000303	000304	000305	000306	000307	000308	000309	000310	000311	000312	000313	000314	000315	000316	000317	000318	000319	000320	000321	000322	000323	000324	000325	000326	000327	000328	000329	000330	000331	000332	000333	000334	000335	000336	000337	000338	000339	000340	000341	000342	000343	000344	000345	000346	000347	000348	000349	000350	000351	000352	000353	000354	000355	000356	000357	000358	000359	000360	000361	000362	000363	000364	000365	000366	000367	000368	000369	000370	000371	000372	000373	000374	000375	000376	000377	000378	000379	000380	000381	000382	000383	000384	000385	000386	000387	000388	000389	000390	000391	000392	000393	000394	000395	000396	000397	000398	000399	000400	000401	000402	000403	000404	000405	000406	000407	000408	000409	000410	000411	000412	000413	000414	000415	000416	000417	000418	000419	000420	000421	000422	000423	000424	000425	000426	000427	000428	000429	000430	000431	000432	000433	000434	000435	000436	000437	000438	000439	000440	000441	000442	000443	000444	000445	000446	000447	000448	000449	000450	000451	000452	000453	000454	000455	000456	000457	000458	000459	000460	000461	000462	000463	000464	000465	000466	000467	000468	000469	000470	000471	000472	000473	000474	000475	000476	000477	000478	000479	000480	000481	000482	000483	000484	000485	000486	000487	000488	000489	000490	000491	000492	000493	000494	000495	000496	000497	000498	000499	000500	000501	000502	000503	000504	000505	000506	000507	000508	000509	000510	000511	000512	000513	000514	000515	000516	000517	000518	000519	000520	000521	000522	000523	000524	000525	000526	000527	000528	000529	000530	000531	000532	000533	000534	000535	000536	000537	000538	000539	000540	000541	000542	000543	000544	000545	000546	000547	000548	000549	000550	000551	000552	000553	000554	000555	000556	000557	000558	000559	000560	000561	000562	000563	000564	000565	000566	000567	000568	000569	000570	000571	000572	000573	000574	000575	000576	000577	000578	000579	000580	000581	000582	000583	000584	000585	000586	000587	000588	000589	000590	000591	000592	000593	000594	000595	000596	000597	000598	000599	000600	000601	000602	000603	000604	000605	000606	000607	000608	000609	000610	000611	000612	000613	000614	000615	000616	000617	000618	000619	000620	000621	000622	000623	000624	000625	000626	000627	000628	000629	000630	000631	000632	000633	000634	000635	000636	000637	000638	000639	000640	000641	000642	000643	000644	000645	000646	000647	000648	000649	000650	000651	000652	000653	000654	000655	000656	000657	000658	000659	000660	000661	000662	000663	000664	000665	000666	000667	000668	000669	000670	000671	000672	000673	000674	000675	000676	000677	000678	000679	000680	000681	000682	000683	000684	000685	000686	000687	000688	000689	000690	000691	000692	000693	000694	000695	000696	000697	000698	000699	000700	000701	000702	000703	000704	000705	000706	000707	000708	000709	000710	000711	000712	000713	000714	00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Johann Christian Dahl's heroic landscapes, of thundering waterfalls and mountains majestically rising under brooding skies, established him as a leading Romantic painter and the founding father of the Norwegian school. In carefully orchestrated canvases such as the 9ft-wide "View of Stalheim", it seems as if the gentler natural dramas of Rulsdael and Everdinge have been transferred to the untamed North. "A landscape must not only show a particular country or region, it must also represent the character of this country," he wrote in 1841: "it must speak to the sensitive beholder in a poetic way."

What we find in an imaginative loan exhibition opening at the Whitworth Art Gallery in Manchester is the more intimate work of Dahl and his protégé Thomas Fearnley. Their oil sketches, watercolours and drawings are little known outside Scandinavia, but they are immediately familiar. For Dahl and Fearnley are revealed to belong to that mainstream of early 19th century European painters from Constable in England to Corot in France and Dillis in Munich - who sought truth to Nature by scrutinising and recording her often fleeting effects in the open air. This relatively modest show triumphantly places another piece into the still unfinished jigsaw of European naturalism.

At a time when nationalistic impulses prompted most European landscape painters to focus their attention on their native land, Dahl was obliged to go into artistic exile. Although recently freed from Danish control, Norway had no formalised system of art education and no means of providing a living for an ambitious artist. Copenhagen, the cultural capital of Northern Europe, was an obvious first stop. A *Wanderjahre* in Italy ensued. Dahl was to settle finally in Dresden, becoming an intimate of Caspar David Friedrich. He returned to Norway only five times, making study trips that resulted in the earliest paintings of the country's most remote and dramatic regions. He appears to have painted outdoors almost from the start. "View near Presto" of 1816 - which he described as a "study from nature" - seems an attempt to reconcile the landscape style of the Dutch masters with the new directness of the widely admired *plein-air* studies sent back from Paris and Rome by the Danish master C.W. Eckersberg. The precise handling of the foreground vegetation is echoed in the careful, scrupulously observed graphite and wash drawings here of rocks, trees and boats. It is the experience of Italy,



'Scene from the Villa Malta', 1821, by Johann Christian Dahl

## Romantic views of nature

Susan Moore admires the landscapes of J.C. Dahl

of working in oils directly before Nature in the time-honoured tradition of the resident foreign artists, which seems to have liberated Dahl's art.

Faced with the heat-hazy panorama across the Bay of Naples, for instance, he instinctively lightens his palette and improvises with his brush to an attempt to seize the limpid atmospheric effects. In a prospect of Ischia his fluid touch is assured. The unusual "Scene from the Villa Malta" in Rome shows this over-changing artist barking back to the classical lucidity and heightened colour of the Italian oil studies of de Valenciennes and Thomas Jones.

For all his directness, Dahl cannot resist introducing favoured Romantic devices. We are encouraged to take a subjective view of nature either by looking through open windows or through the eyes of isolated foreground figures who stand, backs towards us, silhouetted against the gloaming. Dahl

may not invest his landscape motifs with symbolic meaning like Friedrich, but it is tempting nonetheless to detect a reverence in the face of God's creation - and some significance in, say, his decision to record the salvos of cannon shot fired at dawn on Easter Day.

No one could dispute the immediacy or the emotive power of the astonishing small moonscapes and cloud studies painted in and around Dresden. These alone make the exhibition a must. The latter beg comparison with the closely observed skies of Constable, 14 years his senior. Revealingly, Constable - like Turner - applied the lessons learnt in the field to the working practices of the studio and in so doing developed an entirely new and dynamic pictorial language. For Dahl and the majority of the early 19th century *plein-air* painters, oil sketching remained an entirely independent activity, a personal response to nature painted for its own sake.

The even less known and more pathetic Thomas Fearnley, the grandson of a Yorkshire merchant's representative who settled in Norway, proves a markedly different artistic personality. His works are confident, deliberately monumental and theatrically sublime - he is another Francis Danby of Romantic art. Dahl dubbed him the "Professor of Effect Landscape Painting". His oil studies are nonetheless joyous, remarkably facile, sumptuously rich and freely painted. A visit to the show simply reveals why Dahl advised the Nationalgalleriet in Oslo to buy these nature studies rather than the finished paintings.

"Nature's Way: Romantic landscapes from Norway" continues at the Whitworth Art Gallery, University of Manchester, until March 27, and shows at the Fitzwilliam Museum, Cambridge, April 30-June 20.

Opera/Andrew Clements

## 'Così fan tutte' and 'Falstaff'

The latest season of English Touring Opera, launched this week at Sadler's Wells, joins last autumn's novelty, *Falstaff* directed by Tim Hopkins, to a brand new *Così fan tutte*. The *Così* is the work of Claire Venables, her second staging for the company (she produced *Albert Herring* during its previous incarnation as Opera 80) and her third venture into Mozart.

The *Così* promised much. Colleagues have spoken highly of the Venables *Magic Flute* (for Opera Northern Ireland) and *Figaro* (for Norrlandsoperan in Sweden), and certainly the short essay which she contributed to the ETO programme suggested a serious examination of just what the opera is about: "I am curious to test," she writes, "whether the opera is telling us that it is actually possible to fall in love with anybody. If this is the case it means everybody is loveable and can be loved. Once we grasp that. We can then choose whom to love."

Somewhere in that testing process, though, things seem to have gone seriously awry. The staging begins promisingly. Idiot Nathan's designs fix it firmly in an art school where the lovers are fellow students and Alfonso their jaded teacher; the women's class is adorned with male icons, the men's with ideals of femininity.

Through the first act and reality are gradually melded together: as the men go off to war Alfonso evokes 18th-century military imagery, scrawling "Love equals Death" across an easel while they make their farewells; Despina illustrates her views on men with Cagnac's *The Rape of Lucretia* and *Mame's Olympia*. The lovers' portraits are caught on Polder, and when the strangers appear they are decked out as Laurel and Hardy, or perhaps, in this context, Gilbert and George.

The effect of all this is to disorientate rather than to engage. Apart from the unfailing invention of Jeremy Sams's witty English text, the only common denominator is a low-grade knockabout humour. Once real life has been thrown out of the window (literally in the second act as the set begins to crumble away too) nothing is left to pull together the threads in the finale. Whatever the *mise en scène* for a *Così*, the emotions have to be credible, the moral dilemmas real; Venables does not begin to make a dramatic case to match her own manifesto.

Ivor Bolton nevertheless conducted briskly and with a good deal of stylish wit, and the performances of Julie Unwin as a feisty and always watchable Dorabella and Charles Johnston's cool Alfonso in particular followed him well. Andrew Burdon's Fernando was forthright and Meurig Davies, apparently under the weather as Guglielmo, gained steadily in power and confidence; Catherine Pierard, though, seemed badly miscast as Fiordiligi. Eleanor Beckett's egotistical Despina began with a strong Scottish accent and then allowed it to deconstruct, along with everything else in the production.

The *Falstaff* by contrast is both consistently fascinating and coherent, even though it may not be to all tastes. The curtain rises on a Garter Inn that would serve for a production of *Wozzeck* or *Die Soldaten*; Falstaff and his cronies drink alone in bare claustrophobic cubicles, harshly lit; Dr Caius appears to have come

straight out of *Nosferatu*, Baroloph and Pistol from an unnamed Büchner drama. None of the later images is so striking, but Hopkins's production (designs by Peter J. Davison) never quite loses that formalising element of mannered expressionism.

Even if the result does not celebrate Verdi's glorious affirmations as wholeheartedly as it could (the final scene is very hard to mould into this concept) everything works; there is a discipline about the proceedings and a refusal to go for the easy jokes that is refreshing and revealing. Its one big miscalculation is to treat Ford's deeply serious outburst in the second act (well sung by Patrick Donnelly) with such levity, losing a precious element in the opera's miraculously balanced scheme of feelings.

The cast maintains the dramatic consistency. Jonathan Velra's Falstaff seems less concerned with concepts of chivalry than with personal integrity and, in the end, with just getting through. He delivers all his music with a salutary straightforwardness; Amanda Holden's fife, relaxed translation is always easy to catch. There is a deft and nimble Alice Ford from Margaret Preece, a cutely pointed Mistress Quickly from Marie Walshe, and a small-toned but engaging Nannetta from Caynor Morgao. Charles Peebles conducts without unnecessary rhetoric. It is well worth catching somewhere during the spring.

Sadler's Wells until Saturday, then touring England until the end of May; Loodoo season sponsored by Arjo Wiggins Appleton

The controversy over the return to favour of examinations in the government's education policy has been a reminder of how difficult it is to evaluate the performance of students in any subject area. Competitions, in particular, cause heated debate in musical circles, especially when they pit one instrument against another, as does the BBC's Young Musician of the Year.

It has always seemed to me that the pianist there enjoys an unfair advantage. The concerto repertoire is so much wider; the virtuoso opportunities so eye-catching; if the competitor chooses a big, romantic piece, Frederick Kempf (born 1977) won last year playing Rakh-

Concert/Richard Fairman

## Royal Liverpool Philharmonic/Kempf

maninov, but in his case it would be difficult to argue against his first place. Kempf did not play like a child prodigy. He sounded a genuine musician, who just happens still to be young.

For his Barbican concert on Monday, with the Royal Liverpool Philharmonic Orchestra, he chose Rakhmaninov again: the Third Piano Concerto. It was an ambitious undertaking, for the concerto is hard work indeed, but in his case it would be difficult to argue against his first place. Kempf did not play like a child prodigy. He sounded a genuine musician, who just happens still to be young.

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for young fingers. Much of the first movement seemed to be sensitively played, but it was underprojected, leaving the orchestra to lead the way.

His energies, however, were being conserved. The cadenza brought determination into play; the lead out of it was magical, the scale of the playing suddenly better judged. All of the slow movement had a fine, impulsive lyricism and the finale scampered

off towards a scintillating finish at a pace that the conductor, Libor Pešek, had no intention of allowing. For all that, Kempf showed that he has a real interpretation of this concerto in the making.

If Pešek kept his young soloist rather sternly in check, he was correspondingly lax with the orchestra during the opening movements of Berlioz's *Symphonie fantastique*. Ensemble was not sharp, nor were the textures very clear. The best playing came in the final witches' sabbath, where this forward drive at last started to make the flesh tingle a bit: the bells tolling noisily out from on high, really did sound like an invitation to hell.

Recital/David Murray

## Pauk and Kirshbaum

instead of doing the obvious and playing both those doo-sonatas, or exhuming some forgotten duo for the sake of variety, Pauk and Kirshbaum began with expansive unaccompanied solo works. The violinist chose neither lofty Bach or Bartók, nor brilliant Paganini or Ysaye, but old Prokofiev's Sonata op. 115 (1947) - designed for performance by student violins in unison, posthumously published and still virtually unknown.

Prokofiev must have had senior students in mind, for his

writing presupposes quite advanced technique and confident bravura attack. Under Pauk's bow it sprang to tough, pungent, wholly characteristic life; we can no longer count this as a negligible work. Kirshbaum opted for Bach's Suite no. 1 in G, and addressed it with as much authority as he invested it with personal, moment-to-moment feeling. These performances prepared the way superbly for Ravel's 1922 doo-sonata. Though it used to be thought dismayingly astringent, its

stern merits have lodged it in the repertoire wily-wily. Nothing could introduce it better than Prokofiev's robust, linear wit and Bach's leanly expressive patterns.

Ravel's instrumental pair afforded him room for more exposed contrapuntal friction than he had previously dared, and Pauk and Kirshbaum gave the music full value without any mollifying gloss. The muscular shifts of tone in all the quicker tempi were stark, unbridled, compelling. The scherzo suggested a properly baleful subtlety - and yet the slow movement was wistful enough to betray a clear echo of the Andantino of Debussy's long-honoured string quartet.

Theatre/Antony Thornecroft

## On the Piste

John Godber's plays are immensely popular. Only Alan Ayckbourn among living British playwrights attracts a bigger audience. It is easy to believe in his appeal. When Dave (Ivan Kaye), the used car salesman in *On the Piste*, describes girl friend Bev (Gillian Tompkins) as "something to do when the pubs close" he gets a hiss that would have pleased any villain in Victorian melodrama.

Godber catches the speech and prejudices of the working class with the facility of a writer of television soaps, and his plots would seem familiar to an addict of *Eastenders*. His magic ingredient is to set the plays in specific oddball locations - a night club in *Bouncers*; a rugby club in *Up 'n' Under*; and an Austrian skiing village welcoming its weekly band of British holidaymakers in *On the Piste*.

This has toured the provinces for some time but has been drastically re-written and re-designed for its London debut. The biggest change is to the sets, by Julie Godfrey. These are truly impressive, as nursery slope follows moon-tain top, with a sauna and hotel lobby thrown in. Few actors can have addressed the West End suspended from a

stalled ski lift. For the first two minutes you marvel as the actors snow plov and traverse down the astro turf (the secret is to line the skis with baby bubble-bath), and speak their lines, too.

It is a fresh approach for Godber, who traditionally favoured minimalist sets and plenty of action, but gives an undoubted fillip to the evening. The plot is familiar - the falling apart of a group of no-hopers who by the end have had as miserable a time as the cast of *Hamlet* - but some characters are woefully underwritten and strangely unbelievable.

Tony, the ski instructor, is the only link with Austria (the action could really take place anywhere), and although Peter Birch is chillingly familiar as he goes through his weekly sales pitch to his band of ski virgins you never quite know whether he is as superficial as he seems or dying quietly inside. You might like to guess whether he sleeps with frustrated Alison (Julia Deakin), superior Melisse (Stephanie Pack) or good natured Bev.

Melisse, too, the Sloane fallen among plebs, never gets her moment at the confessional, and remains elusive, and in making the nerdy Chris (Paul Bown) a successful



Ivan Kaye as used car salesman Dave

voice over in TV commercials Godber is way off-target. Olivier, Welles, even Angus Deakin, have milked this lucrative and much sought after profession.

Still there are pleasures along the way as we re-learn the familiar lesson that men are bastards and women are weak. Bev, with her macaw

voice and bruised heart, is a memorable character, and the involved audience, well seasoned with skiers, loved it, happy to laugh at the tumbles, cry with the rejections, and shriek with embarrassment at the sauna scene. Bob Thomson directs.

Garrick Theatre (071 494 5085)

## INTERNATIONAL ARTS GUIDE

Leipzig and Lyon are both preparing major musical celebrations for the coming months. Leipzig has two anniversaries to mark - the 250th of the renowned Gewandhaus Orchestra and the 300th of its opera company. Lyon will re-open its Opera after a \$80m reconstruction masterminded by French architect Jean Nouvel.

The Leipzig Gewandhaus has commissioned a special anniversary symphony from east Germany's leading composer, Siegfried Meitner, to be premiered on March 11 under Kurt Masur.

The operatic celebrations follow on May 1 with a new production of Boris Godunov staged by Hungarian film director Istvan Szabo, featuring Slnm Estes in the title role.

There will be a ballet premiere on May 2 with choreography by Uwe Scholz, followed on May 8 by Gottfried Pitz's new production of Rameau's

Hippolyte et Aricie, conducted by the Leipzig Intendant Udo Zimmermann. On May 28, 29 and 30, there will be performances of the Milan production of Stockhausen's *Donstag aus Licht*. A new opera by Jörg Herchet, entitled *Nachtische*, rounds off the festivities at the end of June.

The Opéra de Lyon re-opens on May 14 after nearly four years of reconstruction, leaving only the shell of the old building as a base for a multi-storey, high-technology theatre. The first production is Debussy's *Rodrigue et Chimène*, a youthful work which was never heard in the composer's lifetime and for which a special performing edition has now been prepared. It will be conducted by Kent Nagano and staged by Georges Lavautant.

Nagano also conducts Louis Erlo's new production of *Les Contes d'Hoffmann* opening on May 15. The following day sees a new production of Coppélie choreographed by Maguy Marin. The programme is completed on May 20 by Lully's *Phaeton*, conducted by Marc Minkowski and staged by French choreographer Karine Saporta.

EXHIBITIONS GUIDE  
AMSTERDAM  
Van Gogh Museum: Walter Sickert (1860-1942): a retrospective already seen in London, offering a picture of the early 20th century English painter who was more open to the influences of continental painters than his contemporaries. Ends May 31.

Also From Pissarro to Picasso: French colour etchings. Ends April 18. Dolly Rijksmuseum Art, Expertise and Trade: a behind-the-scenes view of the trend-setting early 20th century gallery of H de Bois. Ends May 2. Also North Netherlandish Art 1500-1820. Musée Royal des Beaux-Arts From Bruegel to Rubens: the Golden Century of Flemish Painting 1550-1650. Ends March 8. Closed Mon

BARCELONA  
Fundacin Joan Miro Wilfredo Lam: 60 paintings by the Cubanist. Ends March 28. Closed Mon  
Musée Picasso The Three-Cornered Hat: Picasso's collaboration with Fella, Massine, Diaghilev and the Ballets Russes. Ends April. Closed Mon (Carrer Montcada 15-18)

COLOGNE  
Museum Ludwig Picasso: 180 paintings, drawings, collages, sculptures, ceramics, printing blocks and plates, from the collection built up by the German chocolate magnate and museum founder Peter Ludwig. The collection covers all phases of Picasso's career, from a drawing executed when he was 19 to a reclining nude completed months before he died in 1972. Ends May 18. Closed Mon

BERLIN  
Altes Museum The Etruscans and Europe: a major exhibition, already seen in Paris, describing

the harmonious civilisation which formed a link between ancient Greece and Rome and influenced art and craftsmanship in central and western Europe. The 850 objects on show include pottery, bronzes, wall paintings and jewellery. Ends May 31. Closed Mon  
Bauhaus Archiv Henry van de Velde: retrospective of a key forerunner of Bauhaus style. Ends April 18. Closed Tues (Museum für Gestaltung, Tiergarten)  
Alte Nationalgalerie Art in Germany 1905-37. Ends April 11. Closed Mon and Tues  
Brücke Museum Painting and Sculpture of the Brücke. Ends April 4. Closed Tues

NANCY  
Musée des Beaux-Arts Art in Lorraine 1892-1950. Ends April 18. Closed Tues

LONDON  
Tate Gallery Robert Rymen (1930): retrospective of the American Minimalist noted for the white paintings he has been making for nearly 40 years. Ends April 25. Also Vangelis: Masculinities: the male body in art since the mid-19th century. Ends June 6. Turner's Final Years. Ends May 17. Daily Hayward Gallery The Changing Condition of Sculpture 1965-75. Ends March 14. Daily Royal Academy of Arts The Great Age of British Watercolours 1750-1880. Ends April 11. Daily LOS ANGELES  
County Museum of Art The

William S Paley Collection: 84 mainly intimate-scale early modern paintings acquired by the late founder of CBS. Ends May 18. Also The Maurice Wertheim Collection: 43 representational works by artists including Degas, Monet, Renoir, van Gogh, Matisse and Gauguin. Ends April 25  
MADRID  
Fundacion Juan March Kasimir Malevich (1878-1935): 42 oil paintings by the Russian artist who invented Suprematism. Ends April 4. Daily Centro de Arte Reina Sofia Joan Miro: centenary exhibition of 80 paintings and 50 drawings from the years 1920-60. Ends March 22. Closed Tues

NEW YORK  
Metropolitan Museum of Art Honoré Daumier: retrospective of the 19th century French cartoonist and painter, with 100 works in charcoal, crayon and watercolour, combined with selected examples of his paintings, prints and sculpture. Ends May 2. Also Modern Design Drawings: from the influential British industrial designer Christopher Dresser to the present day. Ends April 4. Closed Mon  
Museum of Modern Art The Drawings of Joseph Baury (1921-85): 200 examples in a variety of mediums, including pencil, watercolour, oil and collage, and an installation of 100 blackboards. Ends May 4. Closed Wed  
ROME  
Palazzo Venezia Rome under

Sixtus V: the third of a series of exhibitions celebrating the fourth centenary of the death of the Pope who during his short reign (1585-90) did more than any other to turn Rome into the first modern city of Europe. Ends April 30. Closed Mon  
PARIS  
Centre Georges Pompidou Matisse: a re-shaping of last year's show at the Museum of Modern Art in New York, consisting of 130 oils and most of the sculpture from the years 1904-17. The exhibition celebrates the artist's new vision based on an explosion of colour in grandiose compositions, ranging from the Fauve period to his first stay in Nice. Ends June 21. Closed Tues  
Musée d'Orsay 1893: The Europe of Painters. 100 paintings ranging from French Impressionists to English, Norwegian and Belgian Symbolists and Italian and Russian Realists, showing how ideas flowed freely between European countries a century before the 1993 opening of frontiers. Ends May 23. Closed Mon, late opening Thurs (quai Anatole France)  
Louvre The Century of Titian: the golden age of painting in Venice. Michel Laciotte's exhibition includes 135 paintings and 140 drawings, examining how Giorgione and Titian defined Venetian painting throughout the 16th century, and including eight newly-cleaned Titians from the Louvre's own collection. Ends May 31. Also

French 17th Century Drawings: Vernet, Lebrun, Poussin and Claude Lorrain are represented among the 160 works. Ends April 26 (Pavillon de Flore).  
Veronese's The Marriage at Cana. Ends March 29 (Salle des Fêtes). French Painting and Graphic Art of the 18th and 19th Centuries (Cour Carrée 2nd floor). Closed Tues  
Musée d'Art Moderne de la Ville de Paris Figures du Moderne: Expressionism in Germany 1905-14. Ends March 14. Closed Mon, late opening Wed (11 eve du Président Wilson)

NANTES  
Musée des Beaux-Arts The Russian Avant-Garde 1905-24. Ends April 18. Closed Tues  
STUTTGART  
Galerie der Stadt The Rudolf and Berthe Frenk Collection: 100 Expressionist works, including paintings by Kirchner, Dix, Nolde and Kokoschka. Ends April 4. Closed Mon

WASHINGTON  
National Gallery of Art Contemporary drawings and prints from the permanent collection: 123 works by David Hockney, Jasper Johns and others. Ends March 14. Daily Phillips Collection George O'Keeffe and Alfred Stieglitz: a conversation in painting and photographs 1918-30. Ends April 4. Daily  
Textile Museum Sallito Sarapes: 42 women wearing blankets from north Mexico dating from the 18th and 19th centuries. Ends August 8. Daily



Demonstrators, armed police and the smell of tear gas were the talk of Delhi yesterday. Tomorrow it will be economics.

The Indian government survived an important challenge by suppressing a planned mass rally by Hindu militants in the centre of the capital. Tomorrow it meets an equally significant test when Mr Manmohan Singh, the finance minister, presents his annual budget and launches a new phase of India's wide-ranging reform programme.

When he addresses parliament, Mr Singh must try to convince the nation and foreign countries that the passions raised by the destruction of the Ayodhya mosque last December have not deflected the government from the vital task of modernising the economy and opening it up to international trade and investment.

He faces a daunting challenge, given the determination of the Bharatiya Janata party, the right-wing Hindu party whose supporters stormed the mosque, to prolong the atmosphere of political crisis. As Mr Kantikumar Poddar, the president of the Federation of Indian Chambers of Commerce and Industry, says: "This is a very important budget for the country because of the uncertainty which has been created about the future of economic reform."

Mr Singh does not have political support for the kind of radical measures which might turn the spotlight away from Ayodhya. Mr Narasimha Rao, the prime minister, prefers to keep his head down, in the hope that the storm raised by the BJP will blow itself out. So instead the finance minister is likely to present a modest package - and hope it will be enough to keep India on the road to economic recovery.

He will take credit for the measures he has carried out so far, including cuts in protectionist customs duties, easing restrictions on foreign investors, reductions in government subsidies, and the scrapping of much of the "licence raj" - the system under which companies needed government permission to build or expand factories. Last summer's scandal in the Bombay securities market and the Ayodhya crisis limited the speed of reform in the second half of last year, but the government has sought to regain the initiative in the past month with a spate of announcements, including the partial liberalisation of state-controlled fuel prices.

## Modest step for reformers

Political tensions will limit the scope of India's budget, says Stefan Wagstyl

% change from previous year	India: road to reform					
	87-88	88-89	89-90	90-91	91-92	92-93
Real GDP	4.3	10.9	5.6	5.2	1.2	4.2
Agricultural output	-0.8	21.0	2.1	2.7	-2.6	5.0
Industrial output	7.3	8.7	6.8	6.3	-0.1	4.0
Consumer prices*	10.9	5.5	6.8	15.6	13.9	8.4
Exports (\$bn)	12.1	13.9	16.6	18.1	17.8	19.0
Foreign exchange reserves (\$bn)**	5.6	4.2	3.4	2.2	5.6	5.2

All years March year end. All figures official. For year to end November 1992. \* At end January 1993



Singh: faces daunting task

There could be tax changes to encourage private-sector investment and some extra incentives for exports. The finance minister may also signal further liberalisation of the foreign exchange rate, a move which would allow the rupee to devalue, so helping exporters.

All these non-controversial measures will be welcomed by Indian and foreign businessmen alike - and can be done with little fear of opposition.

The finance minister is likely to propose further cuts in government borrowing, which has already fallen from 8.4 per cent of GDP to 5 per cent. His preferred route will be to reduce subsidies for fuel and fertilisers, in order to pave the way for free pricing in these vital markets.

But the scope for cuts is limited. Last year, farmers, the biggest beneficiaries of handouts, protested so strongly against reductions that they had to be paid compensation. This year, with the government weakened by the Ayodhya crisis, ministers will tread even more warily.

Mr Singh is also expected to press ahead with financial market reform, which was delayed by last year's scandal in which Rs500 (\$24m) was diverted from banks into the stock market. A top priority for reformers is the restructuring of the state-owned banks on commercial lines. In particular they want changes in a rule which requires them to put 30 per cent of their deposits into low-yield government accounts - a drain of credit away from industry.

However, Mr Singh is limited by the fact that these funds are a cheap source of finance for

the government. So banking reform is dependent on reform of public spending - including cuts in support for state-owned industry and consumer subsidies.

If reform of subsidies and of banking will be limited by political considerations, a third important area - redundancy laws - will probably be off the agenda. The government believes that, to help promote investment, it should relax restraints on employers' powers to dismiss workers. It has been told as much by businessmen, including the British delegation which last month visited India with Mr John Major, the prime minister.

But ministers have been wary of advancing reform for fear of political opposition, particularly from the left. In the wake of the Ayodhya crisis, the ruling Congress (I) party needs support from left-wing parties and labour unions to help counter the right-wing BJP and its allies. So, Mr Singh is even less likely to be bold in this area than he was before.

India, therefore, will not rush its reforms. With each passing month, Mr Rao's liberalisation programme looks less like a blitz and more like a drawn-out campaign. The democratic tradition, the decentralisation of power to the provincial states, and the ability of the bureaucrats to block changes that might threaten their power all serve to stifle change. Ayodhya is yet another excuse for going slow. As Mr Freddie Mehta, a senior director of the Tata group, India's largest industrial group, says: "You can't go as fast as Margaret Thatcher in India."

The problem is that some challenges will become harder with the passage of time. The longer it takes for the government to cut wasteful public spending, for example, the longer it will be before funds are available to invest in education and infrastructure. Half of India's population is illiterate. A quarter of the electricity produced is wasted through inefficient transmission.

The government hopes that the current reforms will lay the foundations for a substantial jump in the rate of economic growth, perhaps to 7 per cent a year. With such a leap, India will be able to generate funds to meet some of its chronic investment needs and attract foreign capital. But such a take-off is still some distance away, and Mr Singh's budget is likely to be but a modest step in the right direction.



Britain's Labour party is showing faint signs of recovery from the torpor into which it sank last April. Its leader, Mr John Smith, has begun to find his feet. He is performing better in parliament. He is also, in his own way, stage-managing the half-modernisation of his party, to the extent that his cautious nature permits. Although not good enough, the process is significant.

For the past two weeks Mr Smith has managed to exorcise Mr John Major so effectively that on Tuesday the prime minister took up the traditional whine of the contemporary politician in trouble. The Labour leader, Mr Major bleated, is indulging in "some-bite" politics. Thick. Some of Mr Smith's remarks about how unemployment has risen under the Tories have turned up on the radio and television news. Voters might have overheard.

The extent to which the electorate is taking any notice at all of politicians who have so signally failed them is questionable. None of the parties has an attentive audience right now. Backstage, however, some of Mr Labour's conservative critics have been asking for it being taken seriously. This should be acknowledged. What might pass, in a poor year with the lights out, for a "new" Labour party is being constructed. Mr Smith set the tone in a speech in Bournemouth on February 7. Labour's goal, he said, "must be about the advancement of individual people". This could only be fully achieved, he added, "in the context of a strong and supportive society".

Opp. Wait a minute. What did he mean by "strong and supportive society"? Not state

ownership, or excessively high taxation, or "government simply for its own sake". But believe you me, untold shelves of regulations. "In the modern world, you simply cannot leave everything to the state," said Mr Smith. Coming from a Tory moderate, such a remark might sound unexceptionable. Coming from a leader of the left, it arouses suspicion.

Labour is the creature of the trade unions that founded it. In whose interests would regulations be drafted? Mr Smith needs to spread the belief that the answer is us, as citizens and consumers. He needs to be convincing. That is why he moved, on Wednesday to weaken the hold of the unions over the party organisation. They commanded 40 per cent of the votes in the electoral college that chose him last July. He now favours excluding them from future party leadership contests. He would also have unions excluded from the process of selecting parliamentary candidates, although on this he offered a sop - a future register of union members who support Labour - to soothe any wounded feelings.

Then he blew it. The trade union bloc vote at Labour's annual conference provides annual sound-bites that confirm that the unions run the party. The bloc will command a mere 70 per cent of the votes this year, down from 90 per cent. Mr Smith now supports a gradual reduction of the union presence to 50 per cent, as the number of individual members increases. As he said this week, that is not a divorce; he

never wanted a divorce. Yet the suspicion that Labour is the tool of a powerful vested interest will persist until there is an arms-length relationship with the unions. They should live separately, as do the Democrats and the AFL-CIO in the US. The unions can always send a cheque through what will soon be the privatised mail.

### Labour and the unions should live separately. The unions can always send a cheque through what will soon be the privatised mail

Mr Smith is also being too cautious about the removal of clause 4 - the one interpreted as threatening the old-fashioned nationalisation of industries - from the party's constitution. He regards this as of little concern to the average voter. True, but it is no use deploying the words "new" and "renewal" 25 times in a 37-minute speech, as he did at Bournemouth, if there is to be no symbolic deconstruction of Labour's socialist past.

There are also significant noises coming from other Labour spokesmen. The twin slogan - individual and community - is being deployed to some effect. As I suggested on Tuesday, Mr Tony Blair has the Tories rattled with his attacks on their record on crime. Mr Gordon Brown is two speeches on in a series in which he will seek to convince us that Labour's "new economics" is a serious alternative to the government's non-strategy.

Mr Brown has not yet found the magic formula. His "investment in people" and "partnership" between industry and government sound Clintonesque. He is calling for more competition for the privatised utilities. He might evolve into a credible trust-buster if he stops being over-enthusiastic about regulation and stops

over-stressing the cross-directions between Tory MPs, administrators, and the new companies. In the delicate art of attacking the Tories on their right flank Mr Blair is the master. Mr Brown the apprentice.

Mr Smith's unique selling point may be his passion for constitutional reform. Britain is "one of the most centralised states in Europe," he pointed out in his acceptance speech. "I want... a future that puts power back in the hands of our citizens," he said in Bournemouth. He will be more specific at a meeting of Charter 88 on Monday night, although he will be coy about proportional representation. He will doubtless speak about his belief in regional government, devolution to the Celtic nations, a bill of rights and a freedom of information bill. In his view, the latter would include consumer rights and corporate information.

The Labour leader is an admirer of the German federal constitution, and a true believer in decentralisation - milks his predecessor, who never bought devolution and quite unlike Mr Roy Hattersley, Labour's former deputy leader, who gaged on the bill of rights. When he packages all this as a new "open society" Mr Smith may be able to command greater verisimilitude than does Mr Major with his carefully-controlled Citizen's Charter.

This emphasis on constitutional change is music to my ears, but it is hardly pop. It would be a treat to say that Mr Smith is bringing British political debate back to life. Alas, it is far too early to draw any such happy conclusion. We are still saddled with an ineffectively weak government that appears likely to complete its term, and an opposition that seems insufficiently aware of how radically it must change if it is to win next time.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL.  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### A suggested cure to the problem of surplus ACT

From Mr Christopher Davis.  
Sir, Howard Davies (Letters, February 23) is right on diagnosis but wrong on the cure. "Surplus ACT" is indeed an incentive to move costs offshore. Unpleasantly, however, an effective cure would increase the tax bill of those companies which are now complaining.

Contrary to general perceptions, the ACT system positively encourages companies to invest overseas, up to a point. This is because they reduce their UK tax bill by paying dividends out of the overseas profits and claiming, quite legitimately, that the dividends come from UK profits. Of course, this analysis regards the ACT as a withholding of income tax on the gross dividend, and not as a tax on the company's profits, as your leader of February 18 ("Budget for the supply side") states.

If the overseas profits go beyond a point - typically around half of group profits - the company will have made this claim to the full and will run into "surplus ACT". It will then be paying only 6 per cent tax on all its UK profits.

A well-advised chairman would stop dividends funded from overseas profits being used to reduce UK tax bills. UK companies would then find they had a marginal corporation tax rate of 33 per cent and would no longer have a tax reason to export their administrative and development functions.

This move would increase the tax liabilities of most UK companies investing overseas and put them on to the same footing as overseas companies investing here.

Christopher Davis, Shapscott House, Jack's Green, Shapcote, Stroud, Gloucestershire GL6 7RA

### Rupert Brooke: no relation

From Mr Justin Brooke.  
Sir, Michael Arditti is to be congratulated on his article "Drama at the Marlowe Society" (Arts, February 20). However, he is in error in suggesting that Rupert Brooke was in any way related to my late father. Apart from a writer of doggerel verse, we have no poets in our family.

Justin Brooke, Chymorvah Veon, Marazion, Cornwall TR17 0DQ

### Government should remove UK bias against full-time jobs

From Mr Frank Field MP.  
Sir, Edward Balls writes ("A scar that will persist for years to come", February 18) on the high level of unemployment which will continue to exist after the UK economy recovers from the present slump. One reason why the outlook is so pessimistic for the unemployed, he says, is that "technological change and competition from low-cost producers in developing countries has reduced the demand for unskilled labour other than in low-wage, often part-time employment. These jobs have... been mainly taken by female entrants into the labour market."

Evidence on part-time working is usually cited in support of this view. Since June 1978, well over 2.5m full-time jobs have been lost. Over the same time there has been an increase of more than 1.25m of part-time jobs. Indeed, a third of those in employment now work part-time. This trend is

way out of line with other European countries, with Britain currently employing 40 per cent of Europe's part-time workforce.

But is this due to the market forces which Edward Balls describes? Or are there particular circumstances in Britain which make such an outcome inevitably unfavourable to those wishing to seek full-time employment?

I would suggest that such an outcome is inevitable, given the way the contributions for national insurance are structured. Employees and employers pay no contribution on the first 254 of earnings. When creating new posts, many employers bear this in mind and often offer part-time rather than full-time posts. Some employers, Burton is a recent example, are now cutting full-time jobs and offering only part-time work.

I believe it is time that these national insurance rules were

looked at critically. I would hope that the government would, consider, in next month's budget, levying national insurance contributions for employers from the very first pound of earnings. As the move would not be aimed at raising additional revenue (which would be an additional tax on jobs) the overall level of employer contributions would therefore be adjusted to make the move revenue-neutral.

Such a simple change would remove the present bias which is working in favour of creating only part-time employment. It is not, of course, an overnight cure, but it would mean the removal of the current penalty which operates against the creation of full-time posts.

Frank Field MP, House of Commons, London SW1 6AA

### UK mechanical engineering sector can fight back

From Mr P Salisbury.  
Sir, Andrew Baxter ("Charting the mechanics of decline", February 23) makes reference to the fact that UK industrialists complain that they are forced to buy foreign equipment. He goes on to say that process plant contractors say it is "no longer possible to buy big UK-produced compressors".

As managing director of Peter Brotherhood, I can assure him that large gas compression equipment, whether reciprocating, centrifugal or screw machines, is manufactured in the UK, most notably by ourselves in Peterborough. While I cannot speak for any other UK manufacturer, I can assure him that process plant

contractors, and other customers, continue to buy our equipment on the basis that our quality, delivery and prices are competitive with those of any other manufacturers throughout the world.

In view of the dismissive comment about the British machine-tool sector by the head of a German machine-tool company, I can only hope that the complacency contained in his remarks continues.

While there are many aspects of German industry worthy of study, my experience of buying specialised equipment from Germany is that the equipment is often delivered late, of poor quality and accompanied by an atti-

tude on commercial matters that borders on arrogance. On that basis, maybe UK industry can start to fight back.

Finally I would say that size is not the issue with regard to the mechanical engineering sector. Neither indeed is the absolute value of currency. What really matters is the ability of UK companies to penetrate their markets properly and to offer high-quality goods delivered on time, and manufactured cost-effectively. If we get these matters right, then everything else will follow.

Mr P Salisbury, managing director, Peter Brotherhood, Lincoln Road, Peterborough PE4 6AB

### The going can get tough when payment of a debt is sought

From Mr Robert Jenkins.  
Sir, The battle between the large customer and the small supplier is rougher than Michael Cassel ("The dangers that lurk in delay", February 23) makes out. A couple of weeks ago a colleague and I went to a large customer which owed what was to us a large sum - the debt going back five months. All telephone attempts to get the debt had received the now usual response of "the cheque is in the post" and similar excuses.

We waited patiently for more than three hours until we eventually got to meet the company's finance director. His view was stark - his com-

pany had not produced the necessary internal documentation to allow him to pay us. So he was not going to pay us. Bad luck, goodnight.

We persisted as courteously as the circumstances permitted, only for me to end up in hospital with damage to my spine resulting from the finance director losing his cool and tipping me on to the floor. And the company still hasn't paid up.

Robert Jenkins, managing director, Burnaston Crane and Plant Hire, Workshop Road, Bligh, Worksop, Notts S81 8DX

### Income stream

From Mr John Duffield.  
Sir, Your editorial, "Paying for roads" (February 23), referred to "the lack of any income stream from the roads". I do not know how much income the government gets from excise duty on petrol and road fund tax, but, as Damon Runyan would have put it, if this is not an income stream from the roads, it will do until an income stream comes along.

Given this, any further income should be raised by increasing one or both of these. The marginal cost of collection is nil, so the take is correspondingly maximised.

John Duffield, 64 Spring Grove, Loughborough, Leics LE11 4QG

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## FINANCIAL TIMES

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## When industry fears the worst

FOUR-THOUSAND more UK jobs to go at ICI, 2,400 at British Gas - day by day the toll continues. The scale of the cutbacks at some of Britain's leading companies is striking. Is UK industry in a self-reinforcing spiral of pessimism?

Behind the wave of cuts lie the pressures of an agonisingly long-drawn-out recession. But there are also deeper trends.

In all developed countries, there is a steady fall in the proportion of the labour force engaged in manufacturing production. The shrinkage of employment in the manufacturing sector as a whole - a drop of 16 per cent in the UK since 1988 - if anything understates this, since more and more manufacturing workers have service-type jobs, in design, marketing, after-sales, and so on.

Europe must also cope with the restructuring of production and distribution during the creation of an integrated regional economy. Any individual European economy is likely to gain jobs from this process as well as lose them - but in hard times bad news is always more striking than good.

Though services are destined to play a larger role in future

employment, they have been undergoing their own shakeout, in both the US and the UK. Middle-managers in big companies, clerks in banking and insurance, stockbrokers and telephone engineers - no service occupation has been immune. Deregulation and privatisation are special cases of this trend.

At worst, these forces are inescapable. At best, they contribute to the long-term health of companies and the economy: everyone gains from the cost savings forced on British Gas by its regulator.

Still, there was something to the tone of yesterday's message from ICI - the emphasis on continued cost-cutting, the born-again ruthlessness about businesses which fail to meet profitability targets - that hints at the emergence of a mood of contagious pessimism among British industrialists.

That darker mood will serve a purpose if it is accompanied - as at ICI - by a willingness to address difficult strategic issues. Companies that do not ask themselves such questions are not helping their shareholders or their employees. Pessimism alone is not a strategy.

## Italian question

WITH EACH passing day, the political climate in Italy more closely resembles a *résumé*. One by one, some of the highest in the land are toppled by a spreading series of corruption scandals. The political parties that ran the country in shifting anti-communist coalitions during the cold war decades are discredited to the point of illegitimacy. Top public and private sector company managers find themselves in increasing numbers behind bars. The government teeters and the lira plunges. Beneath it all, a groundswell of public discontent is forcing fundamental political change on to the agenda, and if Italy's ruling class fails to find an adequate response, it may simply be swept away.

That change was on the way has been increasingly apparent since general elections delivered an unprecedented rebuke to Italy's established parties last April. The coalition government created in response, under the deputy leader of the Socialist party, Mr Giuliano Amato, set out an ambitious and long overdue programme of economic reform. It has managed - by political guile and by dint of the weakness of traditional party bosses - not only to survive but to push through a surprising number of changes to Italy's bloated welfare state and its ossified wage-bargaining system.

But it always had something of the air of a transitional regime, and that impression has become irresistible in recent weeks. The main reason is the spreading array of investigations into senior politicians and businessmen being conducted by magistrates up and down the land. Emboldened by strong public support, the magistracy has provided detailed evidence of a network of bribery and corruption that reaches into the fabric of Italian political and economic life. The politicians have been paying the price - from Mr Bettino Craxi, who was forced to resign as Socialist leader earlier this month, to the latest casualty, 'epublian' Mr Giorgio La Malfa.

As a result of all this, and of the government's own divisions, Mr Amato's government is clearly living on borrowed time. Its sole realistic *raison d'être* is now to survive long enough to oversee the transfer of Italy's voting system that will enable new general elections to be held later this year. Even the shaping of the new system is out of the hands of the established politicians, and will probably be decided by referendum in April.

New elections are the only way that Italy will begin to pull itself out of the present morass, and it would make no sense for them to be held under the current system of proportional representation, which has been in some measure responsible for the country's history of weak government. After the proposed plebiscite, Italy will probably end up with a mixed system of first-past-the-post and proportional systems, which at least stands a greater chance of presenting voters with genuine political choices and the possibility of alternance in power.

However, such technical changes are only a first, small step towards the more thoroughgoing constitutional, political and economic changes Italy needs, including greater transparency in the operations of its public sector, radical reform of the state budget and of party finances, vigorous privatisation of state assets, and a more sensible distribution of power between central government and the regions.

Indeed, tinkering with the electoral system without more broad-based reform could just as easily exacerbate Italy's existing 120-year-old problems. Lega Nord predominant in the north and the Christian Democrats in the centre and south. The result could be stalemate, further damaging drift on fiscal and other policies, and even ultimately the break-up of the country.

Any newly elected Chamber of Deputies and Senate will have to assume the role of a constituent assembly with the task of drafting a new constitution, and confronting the real dilemmas Italy's political system has enabled it to duck for so long. That is what the voters, in the south of the country as much as the north, seem to be ready for.

On the other issue, trade, the differences are real and important. It will have done no harm for Mr Clinton to be reminded personally by a European leader of what is at stake. But no one should imagine that by reiterating his commitment to free trade, Mr Clinton has been exempted from participation, with a gracious acknowledgement of what British troops are already doing on the ground.

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them, the handling of the war to Bosnia, the Clinton administration has indeed moved closer to the European view and away from its early twitches of more forthright interventionism - but this change occurred a fortnight ago. All that happened this week was a fairly simple bargain: Mr Major agreed to swallow his doubts about the wisdom of parachuting relief supplies into the Moslem enclaves, in return for being publicly exempted from participation, with a gracious acknowledgement of what British troops are already doing on the ground.

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The bull market in bonds around the world has taken a further, dizzying turn in the past fortnight. Bond prices have soared, pushing yields down to levels not seen for more than two decades in the US and UK markets. The Japanese bond market has risen to heights not touched for more than 25 years, save for a three-month interlude in the 1980s.

Is this bull market about to run out of steam, or is the world economy as weak as the buyers of bonds seem to believe? Most market observers believe the top of the market may soon be reached.

"We're not there yet - but we're much closer to it than we have been for a long time," says Mr Gordon Johns, a managing director with Kemper Investment Management, the US fund management company.

The argument for buying bonds rests on the economic slump that has afflicted industrialised nations. Without economic growth, companies cannot generate the higher profits and pay the larger dividends that make investors buy equities.

Also, with the slowdown encouraging governments in Japan and the US to cut short-term interest rates to historic lows, investors have had little incentive to leave cash in short-term deposits with banks or to money-market instruments. Result: a rush into bonds.

The US bond market has led the surge. The market's bell-wether, the 30-year bond (known as the "long bond"), hit its highest level since the early 1970s at the start of this week. The yield on the bond tumbled below 7 per cent, encouraged by the economic plan announced by President Bill Clinton in his state of the union address last week.

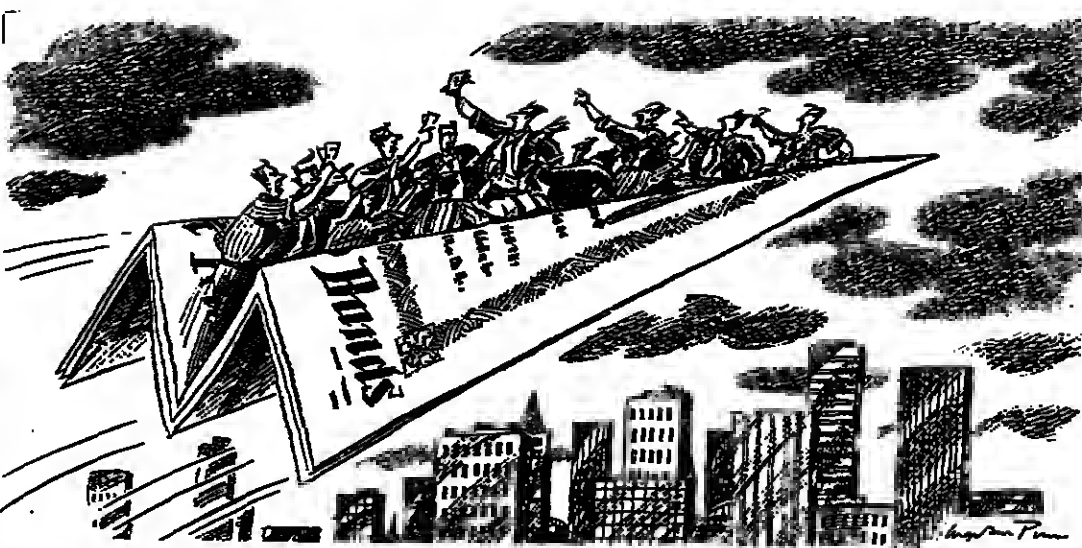
The romance between Mr Clinton and the bond market has been remarkable. Last autumn, the prospect of a Democratic victory in the presidential election for the first time in 17 years seemed a bond investors' nightmare. The market feared the incoming president would bring in measures to stimulate the economy, in the process stoking up inflation and adding to the US fiscal deficit.

Mr Clinton's tax-raising and deficit-reducing plan has eased those fears. In the past year, the yield on the long bond has fallen from 11.2 per cent to 6.8 per cent. This suggests a high level of confidence in an untried president, whose ability to push through a tough economic package is still uncertain.

The leap in bond prices in Japan has been equally marked. Last summer, the yield on the benchmark government bond No 145 stood comfortably above 5 per cent. An admission by the authorities that the real economy was slowing down sharply after the collapse in property and share prices since the end of the 1980s forced the yield down to 4.5 per cent by the turn of the year.

Richard Waters says that the current bull run in the world's main bond markets could lose momentum

## In sight of the summit



Earlier this week, the yield fell below 4 per cent. The rise of the yen has provoked fears that Japanese exports will become less competitive, further undermining the country's manufacturing sector. Finance minister Mr Yoshiro Hayashi said earlier this week that another reduction in the country's discount rate - cut to just 2.5 per cent earlier this month - could follow.

The buying spree in part reflects disillusionment with Japan's equity market. The Nikkei average is stuck at about 17,000, less than half its peak in 1989, and investors have little confidence that share prices will rise soon. As a result, they have channelled their money into bonds.

That contrasts with the 1980s bull market, when Japanese bonds rose with the stock market. "This time, it's the sort of buying you get in a slump," says Mr Stephen Lewis, an economist at London Bond Broking Company. "Bonds are simply the least bad investment."

By comparison, Europe's bond market rally seems almost sedate. Nevertheless, the yield on long-dated UK government bonds (gilts) fell below 8½ per cent a fortnight ago, its lowest level since the early 1970s.

Can these price rises be sustained? At least three factors suggest that the bond markets are entering testing times, and that further gains depend on a break with recent investment trends.

First, real (after-inflation) yields stand at low levels by recent standards. The average real yield of the three main bond markets (the US, Japan and Germany) dropped from 4.6 per cent two years ago to just 2.9 per cent at the start of this year, according to Kemper Investment Management. During the 1980s, real yields averaged 4 per cent.

This suggests that bond investors expect inflation rates to fall further, or that they think the threat of resurgent inflation has receded and are prepared to accept lower real returns. It may be a return to the pre-1970s investment landscape. Before the oil shocks of that decade knocked confidence in low-inflation growth, real returns were noticeably lower (in the 1960s, they averaged 3 per cent). Even on this yardstick, though, the main bond markets have reached testing levels.

The second factor restraining bond prices is the relationship between equity and bond yields. The pattern in the UK throughout the 1980s was for bonds to yield more than twice the level of equities, reflecting the way in which anticipated inflation benefits equity investors while hitting bond markets. The ratio of bond to equity yields has

now fallen below two.

In the US, meanwhile, bonds yield about 4 percentage points more than equities, roughly the level they have held for the past three or four years. Bond prices will only rise further if this relationship shifts.

That this could be about to happen, according to observers like Mr Lewis, He argues that investors in the US have overly optimistic expectations of earnings growth in US companies as the economy comes out of recession. As their hopes are disappointed, he expects a switch from equities into bonds. However, he adds that this would give only a limited extra lease of life to the bond market because of the historically low level of yields.

The third shadow over the bond markets comes from the large overhang of bonds that governments around the world will have to sell this year. Members of the G7 group of leading industrial nations are expected to raise more than £500bn between them to finance the large budget deficits that have resulted from economic downturn.

Borrowing needs of several European countries threaten to outpace the capacity of their domestic bond markets, forcing them to the international bond (Eurobond) market for money. Italy, Sweden and Finland have borrowed internationally this year. This competition for capital could prevent long-term interest rates falling, limiting further gains in bond prices.

The combination of these factors is prompting investors to review their exposure to bonds. "The case for being bullish on bonds is nowhere near as clear as it has been," says Mr Johns of Kemper Investment Management.

Nevertheless, there may still be some areas of growth. Markets in Europe where currencies are still tied to the European exchange rate mechanism should offer the best hope. High German interest rates have kept European bond yields higher than they would otherwise have been given the slowdown in the European economy. Further easing of the Bundesbank's monetary policy - provided it does not imply that Germany is relaxing its anti-inflationary stance - can only be good for bonds.

However, even here prices could have risen too far, too fast. With financial markets anticipating a quick fall in German short-term interest rates, 10-year bonds have fallen sharply this year, nudging below 7 per cent 10 days ago.

For the other big markets, the market peak seems even closer. There may be little current risk of an inflationary spiral, sending bond prices crashing. But the world economy will need to take a further lurch towards the abyss if the bull market in bonds is to maintain its recent momentum.

## Merseyside covets neighbour's lifestyle

Ian Hamilton Fazey on the contrasting fortunes of two regions in the north-west of England

Market forces are playing havoc with north-west England. The European Community this week proposed Merseyside should be downgraded in Europe's league table of economic distress to Council levels, qualifying for extra funding.

Yet only 35 miles away, its rival Manchester is celebrating. Next week the £250m first phase of Manchester Airport's Terminal 2 will open - a symbol of economic resurgence. This week, the city beat off London and Santiago de Compostela in Spain to stage this summer's world chess championship match between Garry Kasparov and Nigel Short. In September, the city hosts the second Earth Summit and will hear if its bid for the 2000 Olympic Games has succeeded against the front-runners, Sydney and Beijing.

This is the league a buoyant Manchester is playing in. But Merseyside wants to spoil the party: local leaders say Liverpool airport should be expanded from 400,000 to 12m passengers a year. Their proposal would preclude the need for a second runway at Manchester airport, which Manchester wants to handle 30m passengers a year by 2005, compared with its present 12.4m.

Since the second runway would intrude into the affluent Cheshire green belt, Merseyside will join some of the north's richest residents next year to fight it on both environmental and economic planning grounds at a public inquiry.

Planners estimate that every 1m passengers a year passing through an airport generate about 1,000 jobs. The five Merseyside boroughs - Liverpool, Knowsley, St Helens, Sefton and Wirral - want them funnelled where they are needed most.

Merseyside's unemployment rate of 17.5 per cent compares poorly with Greater Manchester's 11.4 per cent, which is nearer the national average. The latter's economy is diversified and has withstood the

current recession well, while Merseyside's has continued to struggle. Indeed, the economic tide has been running against Merseyside for most of the century. The Right Reverend David Sheppard, bishop of Liverpool, says: "In every recession, Merseyside has gone down further and faster than anywhere else and has never recovered to the level from which it started. Unemployment here is not cyclical, but chronic and structural."

Changing patterns of trade, coupled with new technology in bulk shipping and stevedoring, have cut demand for unskilled labour and port-related services in the Mersey docks.

The catalyst for reversing decline, says Mr Ian Berry, chief executive of Liverpool Chamber of Commerce of industry, "is to improve strategic sites and create a better image". Many of these sites are derelict and near Liverpool airport.

Mr Harry Rimmer, leader of Liverpool City Council and an airport director, says EC money would go towards reclaiming derelict land and improving road and rail links between the airport, motorways, railways - and Manchester.

He says Merseyside was already on the slide before the financially disastrous period of 1983-87, when Militant, a Marxist grouping he has helped purge from the Labour party, controlled Liverpool council.

The area had 619,000 jobs in 1977, but by 1981 this was down to 580,000. The figure dropped further to about 480,000 by 1986 and about 420,000 in 1990. Most lost jobs were manual. Most of the area's employment is now in service businesses, which require an educated or skilled workforce.

An exodus of people with the wrong skills, unable to get work locally, saw Merseyside's population shrink by 276,000 to fewer than 1.4m between 1971 and 1991 - the most rapid rate of contraction in Britain to that period. Paradoxically, depopulation has not seriously damaged

the tax base and local spending power, because the remaining workers are better paid.

What drags Merseyside down to EC disaster levels, however, are 47,000 long-term unemployed. Mr Peter Stoney, a Liverpool University economist, says more than three-quarters of these are male manual workers and half live in council houses, so they cannot move.

"We need the type of economic growth that will match the quality of the labour available. Retraining has not had a noticeable effect," Mr Stoney says. "We need more port-related and 'brown' [manufacturing] industries. Leisure and office developments push land values above what manufacturers can afford."

No-nonsense business parks for manufacturers, clustered around an expanding airport, might do the trick, thinks Mr Rimmer. But if Manchester gets its second runway - never mind the Olympics - Merseyside's fear is that it will always be the poor relation.

union reform and employment rights bill.

Lord Wedderburn, the 65-year-old Cassel professor of commercial law at London University, has spent the past 14 years fighting Conservative industrial relations legislation in the Lords.

But he has grown increasingly frustrated at what he sees as the lack of enthusiasm inside his party at resisting those parts of the latest measure that curtail trade union rights.

Current Labour tactics consist of concentrating on opposing the abolition of wages councils and trying to improve the government's Bill on sex equality issues, but keeping away from proposed changes in more sensitive areas that cover trade union organisation, such as the right of a worker to join any union of his choice.

Wedderburn can't stand this sort of pussy-footing any longer and intends to get on the record his own objections to the bill from the backbenches.

Aitch-oo

British Gas's directors were feeling the chill yesterday as they presented their annual results - which bore the scars of heavy regulation and last year's unhelpfully clement weather.

The atmosphere was hardly improved when the letter "b" fell off the British Gas sign which was hanging behind their heads and

clanged on to the floor. "Times are hard and the squeeze is on," muttered the deadpan chief executive, Cedric Brown, through gritted teeth.

Near thing

Although the official winners of the Weekend FT's crossword competition on February 13 won't be announced until tomorrow, Observer is awarding a special advance prize to Jimmy Page of Richmond, Surrey.

When someone bet him he couldn't complete the puzzle, offering odds of a half-bottle of scotch to his stake of 50p, his first thought was that a man of champagne to 5p would have been a fairer reflection of the risk. But he had a go, failed, and paid up.

The reason why he merits a full bottle of malt is not so much that he fell short by only two of the 32 clues in the crossword, as that he is 97 years old.

Family spirit

The sins of the fathers would seem partly responsible for the jailing of a man in Nairobi for grabbing two bottles of whisky from a supermarket shelf, promptly swallowing the contents, and refusing to pay. His name is Charles Wanjohi Huihin which, in his native Kikuyu, means: "Charles of the quick drink."

## Problem for the Gatt pack

If a job's worth doing, it's worth doing well. The old saw may be to the mind of ousted Canadian Prime Minister Brian Mulroney whose name has rapidly joined those being canvassed as a successor to Arthur Dunsen as director-general of the fate-tremblingly named General Agreement on Tariffs and Trade.

Canada's involvement in international trade questions should have given Mulroney the background to do the Gatt job as well as any of the others mooted as candidates.

He is on first-name terms with most of his fellow G7 leaders and has the added experience of knowing how to hold together a country which, like the international trading system, is in danger of disintegrating.

However, he is not the only out-of-work international statesman looking for a big job. The names of Lord Lawson and Peter Sutherland, the Irish predecessor of Sir Leon Brittan as the European Community's competition-policy commissioner, have been mentioned, as has Mexico's President Salinas, even though he's not expected to step down until next year.

The problem for all of them, however, is whether the job will be worth doing after Dunsen's half-year extension of his term in

the post runs out this summer. The answer is impossible to predict while the plight of the Uruguay Round of talks on world trade liberalisation hangs in the balance - and with it the plight of a more powerful Multilateral Trade Organisation.

If the talks fail, Gatt and its secretariat could be marginalised, deterring any huddling global deal-maker from considering the job, which in turn could hamper the institution's ability to strong-arm world leaders to commit their nations to further trade liberalisation.

No wonder the staff at Gatt's headquarters in Geneva are currently talking gloomily about vicious circles.

Family affair

The House of Warburg must be feeling pretty pleased with itself because of its role in the ICI demerger.

Leaving aside the accolades that will be heaped on a couple of S G Warburg directors, John Walker-Haworth and Rory Tappner, for earning the firm some very fat fees, Warburg can also point with pride to Goldman Sachs' Jon Alsbitt, the other financial adviser. He honed his early merchant banking skills at Warburg.

And don't forget John Mayo, finance director of Zeneca, the demerged drug company - who just happens to have been recruited

from Warburg. If only ICI's Sir Denys Henderson had not decided to hog both chairmanships, it might have been possible to find a job for Warburg chairman Sir David Scholey. But then again that might have been just a little too incestuous.

Isn't that Bobby Moore sitting on St Peter's shoulders?

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Speak up, Bill


Another small explosion behind the scenes at the new-look Labour party. Lord Bill Wedderburn, Britain's leading authority on trade union law, has resigned from Labour's front bench in the Lords on the eve of its debate on the trade



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## THE ICI DEMERGER

# Exceptionals leave ICI £384m in red

BATTERED BY the long recession and reorganisation costs, Imperial Chemical Industries, yesterday reported a \$804m pre-tax loss for the year to December 31, following exceptional charges of \$962m.

Pre-tax profits before exceptional items fell 28 per cent from £789m to £565m as demand and prices softened for many products.

The results were prepared according to the new FRSS accounting standard.

The pre-tax profits, which compare with £643m in 1991, were achieved on a turnover of £12.1bn (£12.5bn). The board maintained the full-year dividend at 55p with a second interim of 54p, although it was paid from reserves.

The exceptional charge was to cover restructuring activities, including disposals, closures, write-downs of certain asset values, a re-assessment of environmental liabilities and demerger costs.

Rationalisation costs were £516m, including £313m for employee-related costs, principally severance, and £190m for asset write downs and provisions.

A further provision of £148m was made for environmental costs, particularly for cleaning up soil and groundwater in the US. Loss on sale and closure of operations provisions were £151m. Reorganisation costs for the demerger, including professional fees, product registration and labelling costs, amounted to £75m.

Lower selling prices and disposals accounted respectively for 1 per cent and 3 per cent of the fall in sales. Favourable

exchange rates increased sales by 1 per cent. UK turnover fell £350m, equivalent to 14 per cent of sales.

Sir Denis Henderson, chairman, said the results reflected difficult trading conditions throughout 1992. He added that the recession in the UK, which had now lasted three years, had been one of the deepest since the 1930s.

"Signs of recovery from recession are patchy, but lower interest rates, a more competitive pound, low UK inflation and some indications of the US markets picking up plus the major restructuring efforts should ensure a better year ahead for ICI and Zeneca."

On a pro forma basis reflecting the pending split, trading profits before exceptional items at the newly-formed Zeneca, which includes ICI's drugs, agrochemicals and seeds, and specialities businesses, fell from £682m to £567m. Sales increased from £3,982m to £3,982m.

Pharmaceuticals trading profits fell from £596m to £488m on turnover of £1,615m (£1,560m). Sir Denis said this was mainly due to the effects of generic competition against Tenormin, Zeneca's heart drug, the US patents for which recently expired. Sales had fallen by between 40 and 50 per cent instead of the expected 30 to 35 per cent.

Agrochemicals and seeds trading profits dropped from £1,450m to £85m on turnover of £1,295m (£1,320m). The results were affected by intense price competition in the US and reduced volumes in Europe. Sales in eastern Europe had

fallen about 30 per cent last year, while the reform of the common agricultural policy had also had an impact.

Mr David Barnes, Zeneca chief executive, warned the worst of the impact of the CAP reforms was yet to come, with a possible 3 to 5 per cent fall in the European market this year.

Specialities operating profits fell from £28m to £36m on sales of £386m (£391m). Mr Barnes said the colours business had had a difficult year.

Zeneca's results included losses of £12m (loss of £23m) on sales of £1,48m (£1,42m) under the heading of trading and miscellaneous.

The new ICI's trading profits fell from £344m to £1,48m on turnover fell from £9,432m to £8,992m.

A breakdown of trading profits showed the paints division fell from £119m to £115m on turnover unchanged at £1,582m (£1,582m), while explosives rose to £59m (£58m) on £549m (£558m), and regional businesses were £8m (£18m) on £1,351m (£1,391m).

Earnings per share before exceptional items fell from 69.2p to 48.2p, or losses of 79.5p (76.4p earnings) after exceptional items.

Debt rose to £2,320m, for gearing of 63.5 per cent, from £1,582m a year earlier. Sir Denis blamed the recession, slower than expected asset disposals and the impact of the exceptional charge.

Paul Abrahams

## Simple cash raising finds support

THE DECISION to choose a "plain vanilla" rights issue from Zeneca, to coincide with the demerger in early June, may have been the price it had to pay for investor support for the plan.

ICI shares rose sharply yesterday although the size of the issue at about £1.3bn is higher than the stock market had expected.

Sir Denis Henderson, chairman, has had extensive discussions with institutional shareholders in recent weeks and said yesterday that investors were in favour of the deal.

One banker involved said that shareholders had indicated that they would support the deal if their pre-emption rights were maintained.

An underwritten deal - underwriting will take place in mid-May before the shareholders meet to vote on the demerger - will also give ICI the desired certainty of finance for the split.

That will ensure that both of the demerged businesses are well-capitalised, with relatively low gearing. Both companies will be cash positive, ICI said, and able to fund growth and capital expenditure.

Even though the issue will be a standard rights, Zeneca wants the demerger and the fund-raising to give it an opportunity to broaden its investor base.

It has been to find new shareholders outside the UK. At present more than 96 per cent of ICI's shares are held in the UK, and only 5 per cent in the US. Nearly half of Zeneca's business is in the US.

Mr John Mayo, the former Warburg corporate financier who is the new finance director of Zeneca, said yesterday: "We are examining all the options to make sure Zeneca gets launched on an international basis."

He said Zeneca was looking at transaction structures which would "fully honour pre-emption rights" but give the opportunity for an international road show and one-to-one presentations to potential investors. These would take Zeneca's team to the US and continental Europe.

"We will make sure that should foreign investors wish to invest during the rights period they can come and buy in the secondary market," Mr Mayo said. These investors could either buy the rights shares in all-paid form or buy the shares issued through the demerger.

Bankers involved expect that there will be loose shares available and are looking at ways, for example, to match demand in one country with supply in another. Investment bankers are being invited to put forward proposals.

As part of the process Zeneca's shares will be registered with the Securities and Exchange Commission in the US and an American depositary receipt programme will be put in place.

Mr Mayo said that the 27.5p net dividend promised on Zeneca's shares would be paid on the rights shares as well. That is expected to give Zeneca a yield above that of similar companies, which, bankers said, could support the shares in the market.

Financial advisers to the demerger and issue will be SG Warburg, Goldman Sachs International and de Zoete & Bevan.

Robert Taylor

Maggie Urry

## Focus will be on core businesses

THE ICI left "behind" after spinning off Zeneca is the world's sixth largest chemical group, with sales of more than \$8bn a year. It still manufactures a large range of products from bulk petrochemicals to high-performance plastic films, from chlorides and caustic soda to paint and explosives.

However, the range of activities is likely to be much narrower by 2000. Mr Ronnie Hampel, chief executive of the new ICI, says the company "is going to focus during the 1990s on areas where we can be successful globally."

That will mean continuing the process, started two years ago, of selling or closing down activities in which ICI is not one of the world's top three companies. The UK-based petrochemical (olefins and aromatics) and chlor-alkali (chlorine and caustic soda) businesses are high on the disposal list.

The decision taken in the early 1980s to restrict petrochemicals and chlor-alkali to Europe turned out to be wrong, says Mr Hampel. "The error of judgment was to

believe that the industry could be operated on a regional rather than a global basis."

He believes that the world petrochemicals industry is about to undergo large-scale restructuring, which will end up with about five global groups manufacturing on an integrated basis from oil and gas feedstocks to finished products. ICI is not going to make the investment required to be one of them.

Another error of the 1980s, as ICI moved away from bulk commodity chemicals, was to expand into too wide a range of higher value-added products. That too will be corrected, Mr Hampel says. "Some businesses in the portfolio will not survive. Those that are not global or not making an adequate return on capital must go."

The global businesses on which ICI will be relying for growth to make up for cuts elsewhere include:

● Paints. ICI is the world's largest paints manufacturer and, with its Dulux and Glidden brands, is particularly strong in decorative finishes.

● Explosives. The 1980 acquisition of Atlas in the US made ICI the undisputed global leader in explosives. The products are used mainly in mining and quarrying, although ICI hopes that safety airbags for cars will represent a fast-growing new market. A multi-explosion of sodium inside the bag with gas in the event of a crash.

● Chlorofluorocarbon substitutes. Although ICI is losing revenue through the global phase-out of CFCs to protect the ozone layer, it is investing heavily in ozone-friendly hydrofluorocarbons to replace them. The leading substitute HFC134a will be manufactured in the UK, US and Japan.

● Specialised plastics. By swapping ICI Fibres for Du Pont's acrylics division, ICI became the world's leading producer of acrylics. It is also strong in polyurethane foams and polyester films.

The paints and explosives businesses have traded steadily through the recession. During the three years from 1990 to 1992, sales have held at about £1.6bn a year for paints and

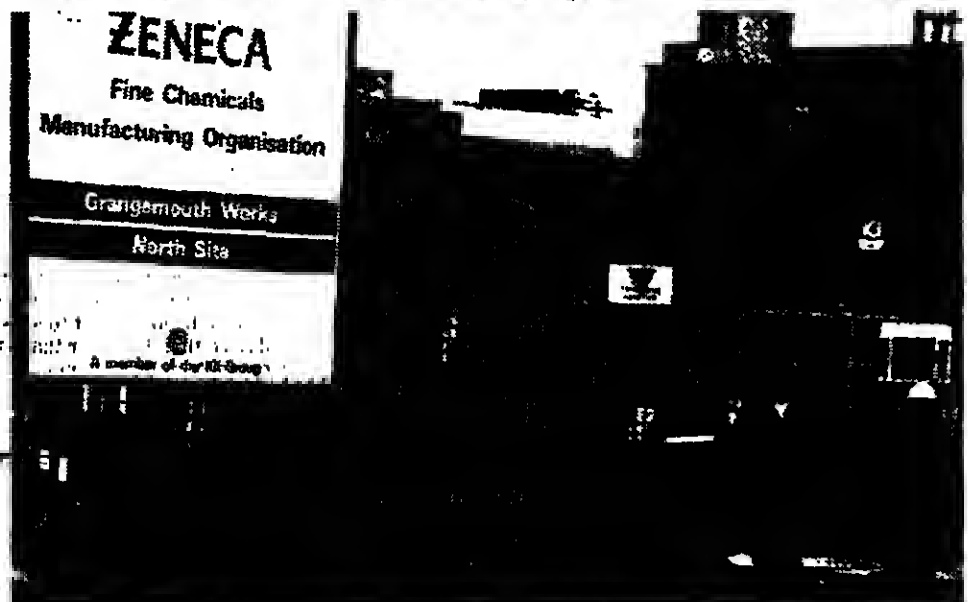
£550m for explosives, while profits were £115m for paints and £55m for explosives. The outlook for both divisions is for slow, steady growth in turnover and profits.

In contrast, the remaining parts of ICI - materials and industrial chemicals - have suffered a decline in sales and profits. They made a trading loss of £42m on £5,450m turnover in 1992. There is an opportunity for a sharp revival in profits as the world economy recovers, but analysts see no prospects of the exceptional returns in the late 1980s.

Mr Hampel says ICI will inevitably remain an essentially cyclical company, but his long-term aim is to achieve on average a 20 per cent return on capital employed.

● The other executive directors of ICI will be Mr Chris Hampson, Mr Rob Margittis and Mr Colin Short. Non-executives will be Sir Anthony Pilkington, Miss Eileen Schneider-Lenné and Mr Paul Volcker.

Clive Cookson  
Paul Abrahams



ICI workers at the Zeneca plant, Grangemouth, one of the sites facing the loss of thousands of jobs

## Shocked unions to press for redundancies to be voluntary

THE LOSS of 9,000 jobs at ICI by 1993 as part of the demerger plans came as a shock to trade unions yesterday. Half of the cuts will be coming in the British plants.

"This is a black day in the history of ICI," said Mr Fred Higgs, chief union negotiator with the company. "It will never be the same again."

The manpower reductions in the UK plants amount to about 30 per cent of the 44,000-strong labour force.

Mr Higgs added that the trade unions intended to "do everything they could to minimise the likely effect of ICI's demerger on the workforce."

Mr Paul Talbot, national officer for the chemical industry in MSF, the white-collar union, said: "How can ICI hope to have an industrial future when they are throwing thousands of highly skilled workers on to the dole?"

The company announced that 7,000 of the reductions in its global manpower of 114,000 will be in ICI and a further 2,000 in Zeneca.

That follows a cut of 21,000

at the combined group during the past two years and comes on top of a 6,000 reduction expected in ICI's payroll this summer when the sale of its nylon fibre business to Du Pont, the US company, is expected to go ahead.

The outback in employment will not just involve actual job losses.

About 1,000 employees will find themselves working for other companies because of divestments.

However, the unions will seek assurances from management that if there are to be redundancies they must be on a voluntary basis.

"We have co-operated for five years with ICI to help it avoid a hostile takeover bid," said Mr Higgs. "The unions are not pleased, to put it mildly, at what the company has announced today."

However, he ruled out any suggestion that the trade unions at ICI would call on their members for industrial action. "Striking would just make the situation worse," he said.

The unions intend to press the company to invest more in the UK during the next few years and to diversify its product range.

They remain extremely worried about the likely effects of the proposed demerger, however.

Last July, when ICI announced its intention to split the company in two, Mr Higgs denounced the move as "a betrayal of the workforce" that demonstrated "a total lack of commitment by ICI's board to maintain the company as Britain's largest manufacturing concern."

"We still do not think the demerger is in the best interests of our members," he said yesterday.

"The company is going to become much more vulnerable to a hostile takeover bid when it is no longer a single entity."

Two-thirds of the UK workforce will be in the new ICI which is badly affected by depressed chemical markets.

Robert Taylor

Maggie Urry

## £1.3bn rights issue cools investors' enthusiasm for bioscience demerger

INSTITUTIONAL investors greeted ICI's plan to demerge its bioscience business with resignation but no great enthusiasm yesterday. Several said they failed to see strong investment attractions in either company.

There was particular concern that, in ending its year with higher-than-expected debt of £2.3bn, ICI would have to accompany the Zeneca demerger with a rights issue as large as £1.3bn.

"The world is a lot different now from nine months ago, certainly in terms of the valuation of pharmaceutical stocks," said one large institutional investor. "And the trading position for bulk chemicals has not got any worse but it

certainly has not got any better. The amount they are seeking to raise smacks slightly of robbing Peter to pay Paul, in that they have committed to pay a dividend of 55p in the difficult bit - the bulk chemicals side - of the business."

Shareholders were universally unimpressed by the 71p rise to £11.584p in the share price yesterday after the demerger news. Not only did the rise follow a run of recent falls, but institutions said the stock had attracted heavy interest from US investors attracted by the yield of more than 7 per cent. Once the stock went ex-dividend, this interest might be reversed, they said. Institutions appeared to need convincing that the

alchemy of demerger - whereby the value of the sum of the demerged parts is greater than the whole - would work. "We are not saying we are against demerger in principle nor are we saying that the pharmaceutical division needs to be an integrated part of ICI," one investor said.

"But we are struggling to see whether two and two does in reality make four and half." Some shareholders were also surprised at ICI's choice of raising finance through the demerged Zeneca rather than through ICI.

Given the marked under-performance of the pharmaceutical sector since ICI announced it would demerge last year, Zeneca may be rated

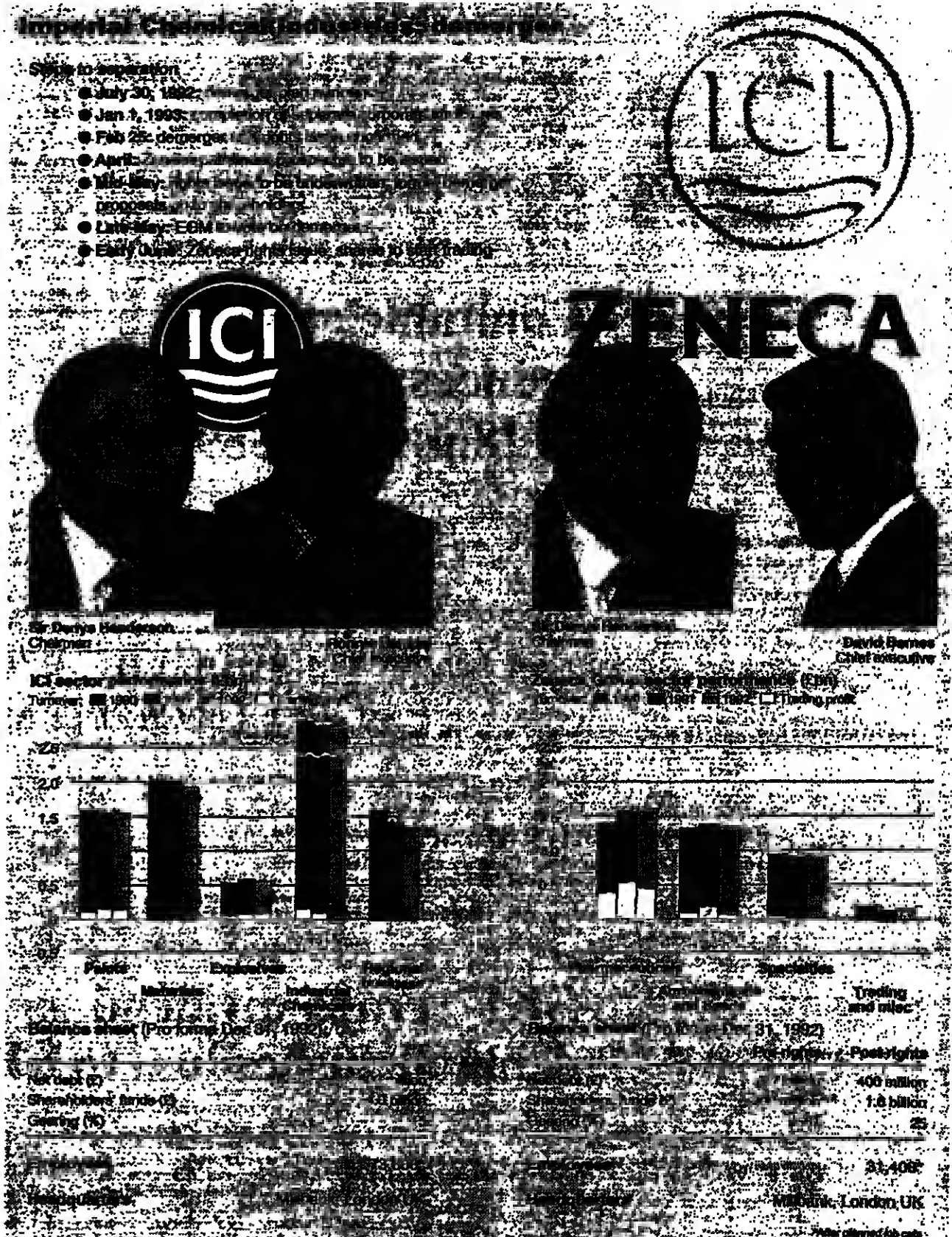
lower than the old ICI, which has recovery potential.

There is also a large expectation that ICI's bulk chemicals business is about to benefit from recovery, even though ICI is fairly dependent on sales to continental Europe, where economies are slowing down.

Shareholders recognise this operational gearing but accept they will have to more patient still.

One investor said that unless ICI and its advisers can dissuade them from this less-than-enthusiastic view, they might sell enough ICI to take up the Zeneca rights without having to put any new funds into the two companies.

Richard Gourlay



## Tenormin sales collapse hits Zeneca

ZENECA, ICI's newly formed bioscience company, will comprise the group's drugs, agrochemicals and seeds, and speciality chemicals divisions.

With an annual turnover of nearly £4bn, Zeneca's products range from beta-blockers to dyes, genetically engineered tomatoes and herbicides to anti-cancer drugs. It will be about the 15th largest bioscience group in the world.

Mr David Barnes, Zeneca's chief executive, faces a considerable challenge putting the company back on the rails. Last year its operating profits fell from £582m to £287m. All three divisions encountered difficulties.

The main short-term problem was in drugs. American sales of Tenormin, ICI's heart drug and once the world's fourth biggest-selling medicine with a turnover of £1.18bn, collapsed by as much as 50 per cent last year. The fall followed the expiry of Tenormin's US patents.

Mr Barnes says the group had expected a fall in Tenormin sales of between 30 and 35 per cent but the drug proved an irresistible target for generic manufacturers.

"It was the single largest-selling product to come off patent since the generic industry was set up," he says. He expects Tenormin's US sales to stabilise at between 25 and 30 per cent of original turnover.

Tenormin's collapse affected not only sales but also profits, admits Mr Barnes. Tenormin was a high-margin product. Newer products offset the fall in Tenormin sales - pharmaceutical turnover was up from £1,550m to £1,510m - but operating profits fell from £582m to £287m.

Sales of Zestril, a newer heart drug, grew 30 per cent, while Diltir, an anes-

thetic, and Zeladex, a cancer treatment, both rose by 50 per cent last year. These three products represent 30 per cent of Zeneca's drugs sales.

Much of the future of Zeneca depends on new drugs in research and development. Mr Barnes is dismissive of those who argue the pipeline is thin.

"The quality of the pipeline of new products is better than at any time in the last 35 years," he says.

He points to Metrem, an antibiotic, which was filed for licensing last December, Casodex, a treatment for prostate cancer, and Accolate, a promising asthma treatment, will be filed next year.

Mr Barnes says the group is moving from its core of anti-cancer and heart drugs into new therapeutic areas such as asthma, in which the group has less marketing experience.

"We will look at all forms of strategic alliance," he says. These will include cross-licensing, co-marketing and even acquisition. But Zeneca is not racing out to buy another company.

Nearly all of Zeneca's earnings growth - for this year at least - will come from pharmaceuticals. The main impact of Tenormin's US decline has probably come to an end.

Meanwhile, the new products will continue to grow. The group will also benefit from currency changes - about 40 per cent of drug sales are in the US.

While the drugs division has been suffering, so too, have the agrochemicals and seeds operations. Trading profits fell from £1,450m to £1,290m last year on turnover down from £1,550m to £1,290m. The decline would have been worse but for rigorous cost-cutting.

In the US dented turnover, as did a 30 per cent plunge in sales to the East European market.

Zeneca also suffered from a decline of between 3 and 5 per cent last year in the west European agrochemicals market after the announcement of the reforms of the common agricultural policy. Mr Barnes said there would be a continuing decline in Europe this year, perhaps of between 1 and 2 per cent.

Meanwhile, specialities have also been hit by the recession. Colours, which represent about 30 per cent of the division's £3,982m turnover, have been suffering particularly, since their performance is tied to the textile industry.

Mr Barnes accepts that the division's profits of £28m on such a large turnover is unacceptable. However, he insists the colours operations are not for sale.

For the next couple of years, any improvement in Zeneca's earnings is likely to come from renewed growth in pharmaceuticals, currency benefits and cost-cutting.

Specialities should benefit from an upturn in the economic cycle, when it happens. But the problems at the agrochemicals operations are related to structural problems within the industry and are unlikely to be resolved quickly.

● The other executive directors at Zeneca will be Dr Peter Doyle, Mr John Mayo, Mr Alan Pink and Mr Tony Rodger. The non-executive directors will be Lord Chilvers, Sir Richard Greenbury, Miss Gill Lewis, Sir Jeremy Morse and Mr Tom Wymann.

Paul Abrahams  
Clive Cookson



## INTERNATIONAL COMPANIES AND FINANCE

## Gota Bank operating loss deepens to SKr2.4bn

By Christopher Brown-Humes in Stockholm

GOTA BANK, the troubled Swedish bank under state control, saw its operating loss deepen to SKr2.4bn (\$308m) in 1992 from SKr1.5bn a year earlier after credit losses more than tripled to SKr12.5bn from SKr3.7bn.

The loss would have been SKr12.9bn without SKr4.5bn in financial insurance and SKr6bn in state guarantees.

The bank said its capital adequacy ratio at the year-end stood at 8.46 per cent, although it noted that without state support its capital base would have been negative.

The government agreed last

month to provide a total of SKr10bn in guarantees to Gota, 80 it has some additional loss coverage for the current year.

Credit losses ballooned well beyond the SKr8bn level predicted last September when it first became apparent that the bank would need state support.

The bank said 96 per cent of its credit losses arose from the corporate and financial sector, and 69 per cent of this total was related to real estate. It said just 15 loss engagements accounted for 33 per cent of total credit losses.

Gota was also hit by a sharp drop in net interest income because of its growing volume

of problem credits. Total problem exposures, before provisions, amounted to SKr28.7bn although after provisions the total fell to SKr15.0bn. Operating revenue rose marginally to SKr4.1bn, but this was only after SKr2bn in financial insurance compensation.

A reconstruction of the bank is being carried out. Its problem loans have been transferred to a separate "bad bank" - following a model adopted by other Swedish banks - and 700 jobs are to be eliminated during 1993. Around half the bank's total loans and guarantees, or SKr37bn, are to be transferred to the bad bank.

Gota did not provide a forecast for 1993.

## Housing arm helps lift WestLB profits

By David Walter in Frankfurt

GROUP operating profits at Westdeutsche Landesbank rose by nearly a quarter last year, the large German public-sector bank reported yesterday.

But stripping out the effects of integrating a subsidised housing subsidiary for the first time - and the income from the bank's own account trading activities - "partial" operating profits were up only slightly over the DM780m (\$487m) made in 1991.

The bank pointed out that the rise in total group operating profits, to DM1.16bn last year from DM960m in 1991, was strongly influenced by the integration of Wohnungsbauförderungsbank des Landes NRW (WFL), acquired from the government of North-Rhine-Westphalia at the beginning of last year. Total operating earnings - which include the contribution from own account trading - would have risen by 10 per cent without the contribution from WFL.

WestLB said yesterday. Reflecting the effect of a 17 per cent increase in staff costs, partial operating profits - which exclude own account trading results - rose by 11.8 per cent from DM637.5m to DM719.5m. WestLB said most of this rise was due to WFL.

Total assets of the group rose 17 per cent to approximately DM270bn, consolidated WestLB's position as one of Germany's top three or four banks in terms of balance sheet size. The contribution to assets from WFL was DM14bn, the bank said.

"Even if we disregard the special effect of the WFL integration, we were able to stabilise the positive development of our operating result, despite the unfavourable interest rate scenario," commented Mr Friedhelm Neuber, chief executive.

He said this would be helped through the bank's recent expansion in the state banking sector. WestLB, the state bank for North-Rhine-Westphalia, recently took a 37.5 per cent stake in the Mainz-based Landesbank Rheinland-Pfalz.

## Christiania Bank profits helped by interest income

By Karen Fosell in Oslo

CHRISTIANIA Bank, Norway's second-biggest bank, has cut losses significantly during 1992 due to a huge increase in net interest income, a sharp reduction in operating expenses and a substantial cut in credit losses.

Net losses at the state-owned bank fell to NKr1.3bn (\$187m) from NKr2.2bn as net interest income rose by NKr577m to NKr3.1bn, despite a NKr300m reduction in loan volume.

Mr Borger Lenth, chief executive, hopes to reach break-even this year, but said there was still uncertainty over corporate customers' ability to service debt.

Non-interest income surged by 52 per cent, to NKr576m from NKr1.67m, due to higher foreign exchange income and significantly lower losses on securities.

Foreign exchange income nearly doubled to NKr605m from NKr329m as securities losses were cut to NKr94m from NKr359m.

Operating expenses were slashed by 19 per cent, or by NKr653m to NKr2.86m, allowing the bank to fulfil authorities' demands by a good margin to reduce costs by 15 per cent in 1992. Christiania cut 665 jobs last year to 4,236, and 1,100 jobs over the past two years.

Mr Lenth said the level of loan losses was still unacceptably high, especially among large corporate customers, but noted there had been a substantial improvement at the operating level.

"This is a direct result of measures taken last year to return the bank to profit. Our retail division... is in the black," Mr Lenth said. Losses on loans and guaran-

tees fell to NKr2.8bn from NKr7.2bn in 1991. Gross non-performing loans fell by NKr1.7bn to NKr12.1bn during the course of last year.

Provisions for loan losses include NKr1.6bn related to large corporate customers. Four commitments accounted for NKr1.1bn of the provision.

Losses by retail customers plunged by 60 per cent to NKr300m from NKr800m. Losses by small to medium-sized corporate customers accounted for NKr500m of provisions while the international subsidiary and branches accounted for NKr200m.

IBCA, the UK credit rating agency, has placed three Finnish banks on RatingWatch for possible upgrade, after the Finnish parliament strengthened its commitment to resolving the country's banking crisis earlier this week, writes Christopher Brown-Humes.

## Astra chief quits after dispute over policy

DR PETER SJÖSTRAND resigned abruptly yesterday as executive vice-president and chief financial officer of Astra, the leading Swedish pharmaceutical group, writes Christopher Brown-Humes.

His departure stems from a personal disagreement with Mr Hakan Mogren, Astra chief executive, over the future division of responsibilities. Neither the company nor Dr Sjöstrand were willing to elaborate.

Dr Sjöstrand, 36, joined Astra in 1975 and has been on the group's executive committee for the past 15 years. He was secretary of the board between 1976 and 1988 and a deputy of the board since then.

## German builder optimistic

BILFINGER + BERGER, the German construction group, has promised another "good" dividend after further increasing profits during 1992, writes Christopher Parkes in Frankfurt.

The company, which increased output by 14 per cent to DM6bn (\$3.72bn), thanks to strong domestic demand, gave no details of earnings. In 1991, it paid out DM10 a share after a 50 per cent rise in net profits to DM55m.

However, figures released yesterday suggested that progress had slowed in the second half. Output rose 23 per cent in the first six months, with the domestic business up 39 per cent and overseas up almost 9 per cent.

## Bobst sales fall 10 per cent

BOBST, the Swiss packaging machinery group, said its sales last year fell 10.2 per cent to SFr1.01bn (\$674m), reflecting an accelerated slowdown in the last months of 1992, especially in Europe, writes Ian Rodger in Zurich.

The group expected cash-flow and profit figures for the year to be lower, but to a lesser degree than turnover thanks to cost-cutting programmes.

## Price changes hit British Gas

By Deborah Hargreaves

BRITISH Gas said it would cut 2,400 jobs over the next two years after last year's profits dropped sharply following an increase in competition in its core UK market and a tough new pricing formula which forced the company to reduce prices. Profits were also hit by warmer weather.

British Gas's profit for last year almost halved to \$881m (\$967m) from £1.16bn the previous year.

An exceptional charge of \$20m to pay for redundancies, environmental clean-up provisions and restructuring the corporate centre, accounted

for a large part of the profits decline. Mr Cedric Brown, chief executive, said the job cuts would "slim down the contract trading side and respond to the squeeze on margins in the tariff sector".

He emphasised that the reduction would be achieved through voluntary redundancies and natural wastage - British Gas loses around 7,000 people a year from normal wastage.

The planned cut in the workforce follows the loss of 800 jobs last year and an announcement earlier this year that the company would reduce its

headquarters staff by 1,200. Unions have blamed the job reductions on the regulator, which has imposed the tough new pricing regime and forced British Gas to give up much of its industrial market share.

Mr John Edmonds, general secretary of the GMB union, which represents most gas workers, criticised the company's management for mishandling its relationship with the regulator, by "adopting an arrogant attitude".

However, Mr Brown said yesterday that the company's relations with the regulator had improved.

Details Page 26; Lex Page 19

## Securities offer by mortgage lender

By Tracy Corrigan in London

NATIONAL Home Loans, the troubled UK mortgage lender, has repackaged most of its non-performing mortgages into an offering of mortgage-backed securities in order to raise funds to repay some of its bank and bond debt.

The process, known as securitisation, allows the company to remove £175m (\$245m) of non-performing mortgages from its books, leaving a mortgage book of £325m. It is the

first publicly-offered issue of sterling mortgage-backed securities consisting of mortgages which are in arrears.

This is the latest step in NHL's efforts to repay its debt and reduce heavy financing costs. The company's funding costs soared following the rescheduling of its debt, when it came close to collapse last June. "We need to restore our financial position by de-gearing," said Mr Nigel Terrington, NHL's treasurer. "With this latest deal, we will have paid

down 40 per cent of our total debt in nine months."

The issue has been rated triple-A by Moody's and Standard & Poor's. The rating agencies awarded their top ratings because of the high level of collateralisation; the £105m issue is backed by a £175m pool of mortgages. In addition, interest payments on the securities can be delayed, to allow for the uncertain cash-flow on non-performing mortgages. Details, Page 23

## MGN director under pressure

By Raymond Snoddy in London

LORD HOLIC, the Labour Peer, seemed isolated last night as a director of Mirror Group Newspapers as all the other directors reaffirmed support for the business policies of the group.

After a meeting called to remove uncertainty about the political stance of the group, its future business direction and the leadership of Mr David Montgomery, the chief executive, Lord Holic said he could not fully support the views of his other directors.

Pressure could now grow on Lord Holic, chief executive of

MAI, the television, advertising and financial services group, to resign as a non-executive director of the UK popular newspaper group.

The board said yesterday that it confirmed its confidence in the MGN management and authorised Mr Montgomery and his colleagues to continue the agreed strategy.

Yesterday's board meeting was also told that Mr John Talbot, the administrator who holds 54.8 per cent of the shares in the group, has expressed his confidence in the management and is pleased with the progress made so far.

The latest row at the Daily Mirror blew up last week when Mr Montgomery, a former editor of Today, brought in Mr David Seymour as group political editor. This was seen as an effective demotion for Mr Alastair Campbell, the Daily Mirror's political editor.

Ironically, he was yesterday appointed assistant editor of Today by Mr Richard Stott, the new Today editor who was fired as editor of the Daily Mirror by Mr Montgomery.

The MGN board, which emphasised that there never would be any question of the group changing its left-of-centre political stance, said it regretted that Lord Holic could not support the board statement in full.

## Crédit Lyonnais tightens BfG link

By Alice Rawsthorn in Paris

CREDIT Lyonnais, the French state-controlled banking group, has strengthened its position at BfG, the German bank in which it recently acquired a majority shareholding, by securing an agreement that gives it the right to

intervene in the running of the bank.

BfG is in the throes of a rationalisation programme to reduce its 5,100-strong workforce to 4,400 over the next two years.

Crédit Lyonnais in November launched a five-year campaign to expand into Germany by

buying 50.1 per cent of BfG for DM1.42bn.

The French bank yesterday also announced it was expanding its domestic interests by raising its stake in SDR Expansio, a Bordeaux-based regional development agency, by 5 per cent leaving it with a total holding of 5.8 per cent.

POLISH DEVELOPMENT BANK  
POLSKI BANK ROZWOJU S.A.

## NOTICE OF MEETING

The Board of Directors  
of the Polish Development Bank  
in Warsaw

pursuant to articles 390 and 393 of the Polish Commercial Code and paragraph 27 of the Charter of the Polish Development Bank, Joint-stock Company,

advises that the

## Annual General Assembly of Shareholders

will be held  
on 31st March, 1993  
at 10.00 am

at the offices of the Bank in the IPC Building,  
54 Koszykowa Street, Warsaw.

The agenda of the Assembly is as follows:

- 1/Opening,
- 2/Election of a Chairman of the Annual General Assembly of Shareholders,
- 3/Confirmation, as required under the Commercial Code, that the Annual General Assembly of Shareholders has been called in the proper legal manner, and that the Assembly has the authority to make legally valid and binding decisions,
- 4/Report of the Board of Directors on the performance of its duties in 1992, and a vote of acceptance,
- 5/Report of the Supervisory Board on the performance of its duties in 1992, and a vote of acceptance,
- 6/Review and adoption of the Report of the Board of Directors on the Bank's performance in 1992,
- 7/Review and adoption of the Bank's Balance Sheet as at the end 1992,
- 8/Review and adoption of the Bank's Profit and Loss Account for 1992,
- 9/Review of the Board of Directors' proposal for the distribution of net income,
- 10/Approval of the distribution of net income,
- 11/Voting of Resolution to increase the Bank's authorised share capital,
- 12/Other business,
- 13/Close of meeting.

The documents mentioned in points 4 to 9 of the Agenda are available for examination by Shareholders at the Head Office of the PDB at: 47/49 Zurawia Street, Warsaw, Poland.

Member of the  
Board of Directors

Stefan Cieślak

Vice-Chairman  
of the Polish  
Development Bank

Witold Anyzkiewicz

## CREDIT MANAGEMENT

The FT proposes to publish this survey on

March 10 1993

Should you be interested in acquiring more information about this survey or wish to advertise, please contact:

Daisy Vercasogham  
Tel: 071-873 3746  
Fax: 071-873 3064

## FT SURVEYS

NOTICE OF REDEMPTION  
U.S. \$200,000,000 8 1/4 per cent  
Subordinated Notes Due October 29, 1993

## CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp has elected to redeem on March 30, 1993 (the "Redemption Date") all of its outstanding 8 1/4% Subordinated Notes due October 29, 1993 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue. The Notes are to be redeemed at the main offices of Citicorp, N.A. in London, Brussels, Paris, Frankfurt am Main and Amsterdam, at the main office of Citibank (Luxembourg) S.A. in Luxembourg, at the main office of Citibank (Switzerland) in Zurich and at the main office of Citibank of Canada in Toronto, Ontario, Canada. The Notes, together with all interest coupons maturing subsequent to the Redemption Date attached thereto, should be presented and surrendered at the offices set forth above on the Redemption Date.

February 26, 1993, London  
By: Citibank, N.A. Fiscal Agent

CITIBANK

## U.S. \$300,000,000



## Woodside Financial Services Ltd.

(Incorporated in the State of Victoria)

## Guaranteed Floating Rate Notes Due February 1997

Unconditionally Guaranteed by  
The Industrial Bank of Japan, Ltd.

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from February 26, 1993 to May 28, 1993 the Notes will carry an interest rate of 5 1/4% per annum. The amount payable on May 28, 1993 will be U.S. \$3,317.71 and U.S. \$132.71 respectively for Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank

February 26, 1993

CHASE

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Telex: 940392 STG GB

TSB Hill Samuel Bank  
Holding Company Plc

(Formerly Hill Samuel Group plc)

## US\$300,000,000

Floating rate notes due 1996

For the interest period from

26 February 1993 to 31 August

1993 the notes will carry an

interest rate of 5.25% per

annum. Interest payable on 31

August 1993 against Coupon

No. 19 will be US\$271.25.

Agent: Morgan Guaranty

Trust Company

JPMorgan

Morgan Grenfell  
Group plc

## US\$200,000,000

Undated primary capital

floating rate notes

For the interest period 26

February 1993 to 31 August

1993 the rate of interest will

be 3.6575% per annum.

The interest payable on 31

August 1993 will be

US\$190.52 per US\$10,000

note and US\$4,763.02 per

US\$250,000 note.

Agent: Morgan Guaranty

Trust Company

JPMorgan

## NESTE

Neste Oy

## US\$100,000,000

Floating rate notes

due 1994

In accordance with the

provisions of the notes, notice

is hereby given that for the

interest period from 26

February 1993 to 31 August

1993 the rate of interest will be

5.25% per annum. The interest

payable on the 31 August 1993

will be US\$271.25 for each

US\$10,000 principal amount of

the notes.

Agent: Morgan Guaranty

Trust Company

JPMorgan

## CITICORP

## U.S. \$350,000,000

## Subordinated Floating Rate Notes Due November 27, 2005

Notice is hereby given that the Rate of Interest has been fixed at 5% in respect of the Original Notes and 5.0875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date March 31, 1993 against Coupon No. 86 in respect of US\$10,000 nominal of the Notes will be US\$45.83 in respect of the Original Notes and US\$46.64 in respect of the Enhancement Notes.

## U.S. \$500,000,000

## Subordinated Floating Rate Notes Due October 25, 2005

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date March 31, 1993 against Coupon No. 89 in respect of US\$10,000 nominal of the Notes will be US\$45.83.

## U.S. \$500,000,000

## Subordinated Floating Rate Notes Due January 30, 1998

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date March 31, 1993 against Coupon No. 86 in respect of US\$10,000 nominal of the Notes will be US\$45.83.

## U.S. \$350,000,000

## Subordinated Floating Rate Notes Due August 14, 2011

Notice is hereby given that the Rate of Interest has been fixed at 3.3125% p.a. and that the interest payable on the relevant Interest Payment Date May 28, 1993 against Coupon No. 27 in respect of US\$10,000 nominal of the Notes will be US\$83.73 and in respect of US\$250,000 nominal of the Notes will be US\$2,093.32.

## U.S. \$500,000,000

## Subordinated Floating Rate Notes Due May 28, 1998

Notice is hereby given that the Rate of Interest has been fixed at 3.3125% p.a. and that the interest payable on the relevant Interest Payment Date May 28, 1993 against Coupon No. 28 in respect of US\$10,000 nominal of the Notes will be US\$83.73, and in respect of US\$250,000 nominal of the Notes will be US\$2,093.32.

February 26, 1993  
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

The Prudential  
Insurance Company of America

## U.S. \$500,000,000

## Collateralized Mortgage Obligations

## Series 1986-1

For the period 25th February, 1993 to 25th March, 1993 the Bonds will carry an Interest Rate of 3.575% per annum with an Interest Amount of U.S. \$26.34 per U.S. \$50,000 (the original Principal Amount) Bond payable on 25th March, 1993. The Principal Amount



## INTERNATIONAL COMPANIES AND FINANCE

## Japan eases broking and banking restrictions

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance yesterday announced specific rules on easing of the barrier between the country's banks and securities industries.

The Japanese government last year decided the broad outline of rule changes in the financial markets, which come into effect in April. The banks and brokerages will then be able to enter some areas of each other's businesses through subsidiaries.

The details, which are expected to be approved by the cabinet today, lay out the conditions such as costs and rules concerning "firewall" restrictions between the parent company and subsidiary.

Banking subsidiaries of brokerages will need minimum capital of ¥2bn, while ¥10bn will be required to set up an underwriting brokerage. Last year's package allows banks' affiliates to issue but not to market convertible and warrant bonds and to deal in straight bonds. Banks will be kept out of stock trading for the indefinite future.

The new rules will allow banks to deal in commercial paper, certificates of deposit placed overseas, housing loan trust certificates and card loan trusts. Rule changes which place such products as "securities" under the Securities and Exchange Law, and are expected to bolster secondary markets especially that of asset backed securities.

● Bangkok Bank, Thailand's largest commercial bank, said yesterday its board had approved a doubling of the company's registered capital to Bt20bn (\$788m) from Bt10bn, writes Victor Mallet in Bangkok.

"Whether we're going to call up the Bt10bn depends entirely on the bank's lending position," said Mr Pitt Sitt-Amnuat, executive vice-chairman.

Bangkok Bank also predicted net profits would rise to Bt12.3bn in 1993, to Bt14.3bn in 1994 and Bt16.5bn in 1995. Last year, its net profits rose 45.3 per cent to Bt10.54bn.

## An unpromising corporate couple's marriage still flies

Nikki Tait examines the partnership between American International Group and International Lease Finance Corp

IN THE world of corporate marriages, a large, conservative insurance group and go-go aircraft leasing business would seem an unpromising couple. But, two-and-a-half years after New York-based American International Group and California's International Lease Finance Corporation tied the knot, the couple have fallen conspicuously silent.

Yesterday, announcing annual results, AIG noted a "record" year for ILFC. The achievement was made all the more remarkable by ghastly airline industry conditions and turmoil besetting ILFC's Shannan-based rival, GPA.

The results are only the latest outward sign of ILFC's success: its portfolio has doubled to over 200 jets during the past 30 months, while a \$4.1bn order for 82 new aircraft, placed last December, was one of the few happy moments enjoyed by aircraft manufacturers recently.

Since matters are seldom simple in any leasing business, can business really be as good as it looks? And, if yes, how has the curious coupling to an insurance colossus helped?

ILFC's appeal to AIG was a little more subtle. "AIG felt their domestic insurance operations would not grow as quickly as our business," Mr Udvary-Hazy explains. "By augmenting their financial services division with a company which had fast-growing earnings they could stabilise that end of their business."

Analysts make the point a little differently. "ILFC should not be viewed as part of AIG's basic insurance or even financial services businesses, but rather as an investment

rate stripping. It was born 20 years ago, when two Los Angeles-based college friends, Steven Udvary-Hazy and Louis Gonda, acquired a DC-8 and leased it to a Mexican airline. When AIG offered to buy, ILFC employed just 25 people and had posted 1989 profits of \$61.2m after-tax. Given the cyclical character of the airline business and questions about residual aircraft values, Wall Street wondered if Mr Greenberg had taken leave of his senses.

From ILFC's viewpoint, the desire for corporate parentage was simple: it knew capital would be needed to expand its business and build up its portfolio. But it feared Wall Street would be skittish about the airline industry at the very moment when money was most in demand. "AIG, in one clean sweep, became our equity source," says the company today.

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Analysts make the point a little differently. "ILFC should not be viewed as part of AIG's basic insurance or even financial services businesses, but rather as an investment

AMERICAN International Group yesterday reported after-tax profits of \$458.9m in the fourth quarter of 1992, up from \$399.8m in the same period of 1991. The figures included realised capital gains of \$13.2m and \$10.3m respectively, writes Nikki Tait in New York.

The quarter's results take AIG's net profits total for the year to \$1.66bn, against \$1.55bn in 1991. The 1992 figure includes realised capital gains of \$64.2m, up from \$60.7m in the 1991, and a \$21.5m boost from accounting changes.

The insurer noted that, like most of the industry, it had been badly hit by catastrophe losses last year - to the tune of over \$190m - but attributed the results to the spread of its business.

For the year overall, AIG's general insurance division produced operating profits of \$1.12bn, a decline of 9.9 per cent from 1991's \$1.25bn. Feeling the impact of catastrophe losses, the underwriting deficit rose from \$4.8m to \$195m, while net investment income increased from \$1.16bn to \$1.26bn.

On the life insurance side, operating profits rose from \$561.8m to \$667.4m, while the financial services division overall made an operating profit of \$348.4m, up from \$222.2m.

cial targets that have been established, we're effectively an autonomous subsidiary."

To keep the marriage sweet, ILFC had to perform, and AIG had to provide financial security. AIG infused \$125m of additional equity into the business at the time of the purchase and has committed another \$200m, the last tranche coming in the final quarter of 1992.

To alleviate its own shareholders' concerns, AIG made clear it would not underpin any of ILFC's debts, which run to over \$4bn.

But the solid corporate parentage still encouraged some upgrading of ILFC's debt rating. Moody's, for example, raised its rating of the senior debt by one notch to a2, and the commercial paper to Prime-1, its highest rating.

ILFC's ability to perform in the current market is more surprising, given all the red ink in the airline industry and the fact that a glut of aircraft means lease rates are soft.

Mr Udvary-Hazy's response is that any airline leasing business becomes a financing source for carriers in the tough times, and the lessor's creditworthiness is all-important.

ILFC's balance sheet is "burling", he says. "So those carriers that do need aircraft generally have to resort to off-balance sheet financing, using someone else's financial statements."

He adds: "It's true we've had pressure on lease rates, but that has been more than offset by the lower cost of financing. We may have seen a 10 to 15 per cent erosion of lease rates, but we've probably had a 20 to 25 per cent decrease in our borrowing costs. In 1992, ILFC had the highest core leasing margins that we've had in 20 years."

But what about the reliability of airline payments and the danger that aircraft can be tied up in bankruptcy or administration processes?

Mr Udvary-Hazy's response is more pragmatic. He notes all ILFC aircraft are owned "free and clear" - that is, without the company's debt-providers having any mortgage interest on the aircraft themselves -



Maurice 'Hank' Greenberg: renowned for his sharp tongue

and argues that this provides flexibility vis-a-vis customers. There is a firm policy of pulling back aircraft from troubled lessees at the first opportunity. As a result, 85 per cent of the fleet is leased outside the US, up from 60 per cent, and only one aircraft is operated by a bankrupt US carrier - by TWA.

But business can still be nerve-racking. "We beat the administrator at Air Europe by nine minutes," remembers Mr Udvary-Hazy. "We had four aircraft leased there, and we flew our default notice and court papers just ahead of the administrator. We got our aircraft out of there in 24 hours, but some people had aircraft stuck

at Gatwick for 13 months."

As for profits, ILFC made \$139.7m before tax in 1991, against \$123m in the previous 12-month period. In the first nine months of 1992, the figure rose to \$165.3m, against \$110m in 1991. But the company changed its depreciation policies in 1992, writing down the value of aircraft more slowly. This lowered the depreciation charge - and bucked profits - to the tune of \$38.4m in the first nine months of 1992.

Perhaps the most interesting question is how long ILFC can continue on this path? Mr Udvary-Hazy acknowledges that, once the company has built up a portfolio of 325 to 375 jets - that is by the mid-1990s - the dynamics will change.

"I don't think we can handle 400 or more aircraft, the way we're set up now in terms of administrative support," he says.

Growth, he adds, should continue as more wide-bodied aircraft enter the portfolio. But, unless the business is radically restructured, the rate will probably slow.

But Mr Ed Matthews, head of AIG's financial services division, discourages the notion that ILFC will have then outlasted its usefulness to the insurer. "ILFC's future rate of growth should be at least equal to AIG's," he claims, "which, we've said, should be 15 per cent or better."

## Danske Bank reports DKr1.7bn loss

By Hilary Barnes in Copenhagen

DEN DANSKE BANK reported a loss of DKr1.7bn (\$274m) in 1992, against a profit of DKr2.2bn in the previous 12 months, but the board expects an improvement this year. Profits on core operations rose from DKr343m to DKr702m.

The bank displayed its confidence in the future by proposing to maintain unchanged the dividend of DKr12 a share. Continued high provisions and a large loss on the valuation of the securities portfolio pulled down the 1992 performance. Loss provisions increased

from DKr2.89bn to DKr2.94bn, but were considerably lower in both years than in 1990, when they peaked at DKr4.25bn. The value of the group's shares and bonds portfolio fell by DKr1.03bn.

The downturn in the economy of the Faroe Islands contributed to the group's loss. Foroya Bank, in which Danske owns 81 per cent, made a loss of DKr985m and had to be recapitalised by Danske.

The bank's equity capital and reserves declined from DKr20.7bn to DKr18.3bn, but total capitalisation, including tier 2 capital, was virtually unchanged at DKr27.6bn.

As the balance sheet was reduced to DKr336.7bn from DKr363.4bn, the capital adequacy ratio increased from 10.2 to 11.0 per cent.

● An independent report has criticised Norwegian authorities for failing to stop Norway's biggest insurance firm, UNI Storebrand, from launching a disastrous raid on Swedish rival Forsakrings Skandia.

A commission led by former supreme court judge Erling Sandem said the Finance Ministry and the Banking, Insurance and Securities Commission should have blocked UNI purchases of Skandia shares - which later crashed in value.

## Yokohama Rubber slips 6.5% for year

By Charles Leadbeater in Tokyo

YOKOHAMA Rubber, the rubber products producer which is Japan's second-largest tyre maker, yesterday reported a 6.5 per cent fall in pre-tax profits to ¥1.59bn (\$102.5m) in the year to December on sales down 2.8 per cent to ¥286bn.

The company said it had been hit by a slowdown in the automotive industry, although sales of higher-value tyres, such as radials, had increased.

## SA steel producer down 27%

By Philip Gawith in Johannesburg

EARNINGS at Iscor, South Africa's largest steel producer, dropped by 27 per cent in the six months to December as a higher portion of sales were exported while dollar prices were weak.

Although turnover rose by 5.5 per cent to R4.3bn (\$2.37bn) from R4.05bn a year earlier, weak export prices eroded profit margins.

Pre-tax profits fell 18.4 per cent to R307m, from R376m, despite the benefits from the rand depreciating by more than 10 per cent against the

dollar in the second half of 1992.

Iscor was also helped by a reduction in financing costs, the result of lower interest rates and strict cash management.

Attributable profits fell 27 per cent to R125m, from R171m, while earnings per share dropped to 6.7 cents, from 9.2 cents. The interim dividend was cut by one-third to 2 cents a share from 3 cents.

Total steel tonnage sold during the year fell by 1.8 per cent, with domestic sales falling by 9.3 per cent. The shortfall was made up by a 6.5 per cent

increase in exports, which rose to 53.3 per cent of total sales volumes from 49.1 per cent in 1991.

As an austerity measure, capital expenditure was reduced to R267m from R303m, with only essential replacements and maintenance taking place.

Iscor predicted a similar level of earnings for the second half. The domestic market is not expected to improve, and dollar prices of exports are expected to remain weak. Offsetting this will be benefits from lower inflation and interest rates in South Africa.

**U.S. \$125,000,000**

**BANK OF BOSTON CORPORATION**

Floating Rate Subordinated Notes Due 1998

Issued 26th August 1993

Interest Rate	3.2375% per annum
Interest Period	26th February 1993 to 28th May 1993
Interest Amount per U.S. \$100,000 Note due 28th May 1993	U.S. \$409.18

Credit Suisse First Boston Limited Agent

**U.S. \$100,000,000**

**First Bank System, Inc.**

Floating Rate Subordinated Capital Notes Due 1997

Interest Rate	5¼% per annum
Interest Period	26th February 1993 to 28th May 1993
Interest Amount per U.S. \$50,000 Note due 28th May 1993	U.S. \$663.54

Credit Suisse First Boston Limited Agent

**U.S. \$850,000,000**

**Malaysia**

Floating Rate Notes Due 1993

Interest Rate	5¼% per annum
Interest Period	26th February 1993 to 31st August 1993
Interest Amount per U.S. \$10,000 Note due 31st August 1993	U.S. \$271.25

Credit Suisse First Boston Limited Agent

**U.S. \$300,000,000**

**Scotiabank**

THE BANK OF NOVA SCOTIA

Floating Rate Subordinated Capital Debentures Due 2085

Interest Rate	3¾% p.a.
Interest Period	26th February 1993 to 31st August 1993
Interest Amount due 31st August 1993	per U.S. \$ 10,000 Debenture U.S. \$ 177.60
	per U.S. \$100,000 Debenture U.S. \$1,776.04

Credit Suisse First Boston Limited Agent

**U.S. \$250,000,000**

**Régie des installations olympiques**

Floating Rate Notes Due November 1994

Unconditionally guaranteed by Province de Québec

Interest Rate	5¼% per annum
Interest Period	26th February 1993 to 28th May 1993
Interest Amount per U.S. \$50,000 Note due 28th May 1993	U.S. \$631.94

Credit Suisse First Boston Limited Agent

**U.S. \$70,000,000**

**The Republic of Panama**

Floating Rate Serial Notes due 1990

For the period 26th February, 1993 to 26th August, 1993

In accordance with the provisions of the Notes, interest is hereby given that the rate of interest has been fixed at 7 per cent. per annum, and that the interest accrued on the outstanding unpaid principal to 26th August, 1993 will be U.S. \$105.68.

The Industrial Bank of Japan, Limited Agent Bank

**LEGAL NOTICES**

**IN THE COURT OF JUSTICE CHANCERY DIVISION**

**IN THE MATTER OF A HILLOTT public limited company**

**NOTICE**

Notice is hereby given pursuant to Section 86(1) of the Companies Act 1985, that a meeting of the shareholders of the above-named company will be held at the offices of Messrs. J. H. & J. H. Hillott, 10 Abchurch Lane, London, EC4N 3DF, on 9th March 1993 at 10.30am for the purpose of having laid before it a copy of the report prepared by the auditors of the company in accordance with Section 86(1) of the Act. The meeting may, if it thinks fit, establish a committee to consider the resolutions submitted on matters of business by or under the Act. Shareholders are only entitled to vote if (a) they have delivered to the company a copy of the report of the auditors of the company in accordance with Section 86(1) of the Act, and (b) they have delivered to the company a copy of the report of the auditors of the company in accordance with Section 86(1) of the Act. The meeting may, if it thinks fit, establish a committee to consider the resolutions submitted on matters of business by or under the Act. Shareholders are only entitled to vote if (a) they have delivered to the company a copy of the report of the auditors of the company in accordance with Section 86(1) of the Act, and (b) they have delivered to the company a copy of the report of the auditors of the company in accordance with Section 86(1) of the Act.

**LEGAL NOTICES**

**IN THE COURT OF JUSTICE CHANCERY DIVISION**

**IN THE MATTER OF HUNTERFORD GROUP PUBLIC LIMITED COMPANY AND IN THE MATTER OF THE COMPANIES ACT 1985**

**NOTICE**

NOTICE IS HEREBY GIVEN that a Petition was presented to the High Court of Justice for the winding up of the above-named company on 19th February 1993. The Petition is directed to be heard before Mr. Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday the 10th day of March 1993. Any creditor or shareholder of the said company desiring to oppose the making of an order for the winding up of the said company should appear at the time of hearing in person or by Counsel for that purpose. A copy of the Petition will be furnished to any person requiring the same by the undersigned Solicitors on payment of the prescribed fee of £175 and 17s 6d. Any creditor of the company may at any time within five weeks immediately following the date of the winding up of the said company apply to the court under s. 176 of the Act for an order prohibiting the payment of dividends.

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**ANNOUNCEMENT INVESTMENT OPPORTUNITY EL NASR BOTTLING COMPANY**

THE FOODSTUFF INDUSTRIES HOLDING COMPANY, A COMPANY OWNED BY THE GOVERNMENT OF EGYPT, ANNOUNCES THE PROPOSED DIVESTITURE OF THE CAPITAL SHARES OF THE EL NASR BOTTLING COMPANY, TOTALLY OR PARTIALLY. THE EL NASR BOTTLING COMPANY BOTTLES AND SELLS COCA COLA, ARANOS IN MOST GEOGRAPHICAL AREAS THROUGHOUT EGYPT. THE COMPANY OPERATES THIRTEEN BOTTLING PLANTS AND OWNS A LARGE FLEET OF DISTRIBUTION TRUCKS. THE COMPANY ALSO PRODUCES ITS OWN METAL CAPS, WOODEN PALLETES, AND CARBON DIOXIDE. THE COMPANY'S TWENTY SIX BOTTLING LINES HAVE A DESIGN CAPACITY OF 120 MILLION CASES PER YEAR. NET SALES IN THE LAST FOUR YEARS FLUCTUATED BETWEEN 125 TO 150 MILLION EGYPTIAN POUNDS PER YEAR. THE COMPANY IS PROFITABLE AND HAS NO LONG-TERM DEBT. PARTIES INTERESTED IN THIS UNIQUE OPPORTUNITY MAY OBTAIN THE MEMORANDUM OF INFORMATION DESCRIBING THE COMPANY, GENERAL CONDITIONS, AND NECESSARY DETAILS THROUGH:

**PURCHASING OFFERS SHOULD BE SUBMITTED TO THE HOLDING COMPANY IN SEALED ENVELOPES ON THE OPENING DATE, WEDNESDAY 5/3/1993 AT 11AM, CAIRO TIME. OFFERS SHOULD BE WRITTEN IN BOTH ARABIC AND ENGLISH LANGUAGE AND ACCOMPANIED BY A BANK GUARANTEE REPRESENTING 2% (TWO PERCENT) OF THE OFFER VALUE. DOCUMENTS CONTAINING THE MEMORANDUM OF INFORMATION AND GENERAL CONDITIONS COULD BE DELIVERED EITHER FROM THE HOLDING COMPANY AND OR THE NATIONAL BANK OF EGYPT, BEGINNING MARCH FIRST, AGAINST PAYMENT OF A NON REFUNDABLE AMOUNT OF L.E. 5000 FOR EACH COPY.**

**GUERNSEY**

The FT proposes to publish this survey on March 31 1993. This will be the first time that the FT has singled out "Guernsey" - as opposed to the "Channel Islands" - as the subject for a special survey. The survey will be seen by leading international business people in 160 countries worldwide. Should you wish to promote your organisation's products or image to this important audience, please contact:

Chris Schaanning in Birmingham  
Tel: 021-454 0922  
Fax: 021-455 0869

or  
Kirsty Saunders in London  
Tel: 071-873 4823  
Fax: 071 873 3428

**FT SURVEYS**



## INTERNATIONAL COMPANIES AND FINANCE

## GE Capital in \$500m property assets deal

Martin Dickson in New York

GE CAPITAL, the fast-expanding financial services arm of General Electric, is spending some \$500m to buy out half the portfolio of troubled real estate assets put up for sale last September by First Chicago, the mid-western bank.

GE Capital is one of the most aggressive buyers of troubled property portfolios in the US market, having avoided serious real estate investment problems of its own during the slump of the late 1980s.

First Chicago was one of the first banks to announce the wholesale disposal and write-down of its troubled property loans, which were originally valued at \$2.1bn. It decided that there were no discernible signs of recovery in the US market.

The assets being sold to GE Capital had an original book value of about \$1bn and are diverse, both geographically and by collateral type.

First Chicago said it did not expect the deal to have a material effect on earnings.

## Rio Algom holds sales but profits slip

By Robert Gibbons

RIO ALGOM, an independent copper, uranium, potash and coal producer since Rio Tinto Zinc sold its 51 per cent control to the public last June, has reported lower profit for 1992.

Though copper prices were favourable, potash operations improved and the Canadian dollar was lower, uranium and metals distribution results were lower.

Profit from continuing operations declined to C\$38.4m (US\$31.2m), or 85 cents a share, from C\$41.8m, or 97 cents, a year earlier.

Revenues were little changed at C\$1.03bn.

On the same basis, fourth-quarter net equalled 22 cents a share against 29 cents, on revenues of C\$263m against C\$264.5m.

## Amgen warning hits biotech shares

By Karen Zagor in New York

BIOTECHNOLOGY stocks staggered under a second blow in three days after Amgen, a benchmark biotechnology company, warned late Wednesday that its first-quarter earnings would fall as much as 15 per cent below analysts' expectations.

The news sent biotech shares tumbling across the board. At mid-session, Amgen plunged 80% to a 52-week low of \$37.

Chiron lost \$2 1/2 to \$46 1/2, US Healthcare dropped 1 1/2 to \$43 1/2, and Synergen, which triggered a sell-off in the sector on Monday, lost 3% to \$14 1/2.

Centocor and Xoma both held steady, at \$65 and \$5 1/2 respectively, but the lack of movement was a reflection of the heavy losses already suffered by the stocks rather than a vote of renewed confidence in the companies.

Centocor traded as high as \$60 1/2 last year, while Xoma has fallen from a high of \$35 1/2.

Amgen blamed its disappointing forecast on unexpected slow sales of its Neupogen cancer drug. Although sales of Neupogen have risen about 30 per cent in the year, the company and Wall Street had expected a stronger performance.

The news came on the heels of Monday's report by Synergen, a Colorado-based drug developer, that research data on its Antril sepsis drug did not match earlier trials.

Biotechnology stocks, like other healthcare issues, have suffered from investor concern that the Clinton administration's healthcare policy will lead to lower drug prices.

But the sagas of Synergen, Amgen, Centocor and Xoma underscore an inherent vulnerability in the biotechnology sector, where investors speculate on the future earning performance of products which are either in development or only recently approved for marketing.

Synergen, whose stock plummeted 28% or 88 per cent on Monday, was believed to have the most promising treatment for septicemia, an often-lethal blood infection which afflicts about 1m Americans and Europeans each year.

Earlier studies of Antril had shown it reduced death by 40 per cent to 60 per cent.

However, the company's latest study, involving a much

larger number of patients, indicated that a high dose of the drug reduced mortality by only 15 per cent.

Synergen is not the first biotech company to stumble in its search for a treatment for sepsis. Both Centocor and Xoma faltered after their once-promising drugs proved less effective than initial studies had indicated.

Neither Centocor nor Xoma have received marketing approval for their sepsis drugs.

In the case of Amgen, the company already has two effective drugs on the market. But Amgen's future success as a drugs company depends largely on broadening its product line and the funding for future research will, to a large degree, depend on the sales of Neupogen.

AmTrade International is 94 per cent owned by a holding company called Broadstreet, organised last year and chaired by Sir Michael, Broadstreet won approval this week from the US Federal Reserve for the two transactions.

Mr Robert Ginstrom, an Atlanta attorney who is president of Broadstreet, said the group aimed to expand substantially the trade finance business of the Miami bank, which will be renamed AmTrade International Bank of Florida.

The bank last year was rolling over around \$75m to \$80m in trade financing every 90 days, according to Mr Vincent Cater, formerly an official with First American in Miami and now president of AmTrade International. The company is linked to a network of 450 corresponding banks in 88 countries.

AmTrade International in Atlanta will target small and medium-sized companies, said Mr Ginstrom. He said both banks would focus on building trade finance business with Asia and Europe. The Miami branch will seek to expand its US-Latin American business to finance Latin American trade with Europe and Asia.

Given the Federal Reserve's approval, the creation of AmTrade International of Georgia and the Miami acquisition are expected to be completed in the next few weeks.

The final quarter's results take Penney's full-year profits to \$777m after tax, and 12-month sales to \$1.8bn. In the previous year, the company made a net profit of \$50m after restructuring and accounting-related charges of \$448m.

Yesterday, J. C. Penney shares rose strongly on news of the final quarter's figures, adding 2% at \$78 1/2.

The improvements last year had been spread across all of its main merchandise divisions - including womens and menswear, childrenswear, home furnishings, and catalogue. It also said early spring merchandise sales in the current year looked well.

The government indirectly owns 44 per cent of Domtar.

Domtar, the Quebec-based pulp and paper and building materials group, has raised C\$150m by the sale of 8 per cent convertible unsecured debentures to a group of investment dealers headed by Burns Fry. The funds will be used to repay maturing debentures and for capital spending.

Two Quebec government agencies, the Caisse Depot and Société Générale de Financement, have bought C\$66m of the issue.

The government indirectly owns 44 per cent of Domtar.

operations and serving as a base for future growth.

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## Alitalia losses contract further

By Robert Graham in Rome

ALITALIA, Europe's fourth-largest airline, yesterday reported a further contraction in net group losses during 1992, which fell from L34.5bn to L14.7bn.

The Italian state-controlled airline claimed yesterday that it had strengthened its position in the market place.

The board, however, warned that 1993 promised to be a difficult year which "might see a slowdown in the process of renewal and relaunching so positively under way".

During the period 1993-96, Alitalia plans to invest L4,270bn (\$2.76bn). Last year, the airline carried out fleet investment worth L383bn.

To cover financial needs of L134bn, assets were sold, including unwanted aircraft worth L101bn. Provision for potential foreign exchange losses as a result of the lira's float since September amounted to L60.3bn.

Group revenues rose by 17 per cent to L5,428bn, and if domestic and international traffic carried is measured against 1990 to exclude the anomalous effects of the 1991

Culf war, the rise was 26 per cent. The load factor edged up to 86.3 per cent compared with 81.3 per cent during the Gulf war year.

The airline continued to prune its workforce during the year, with job losses totalling 67. The company claimed productivity had been raised 26 per cent over the past two years.

The board gave no estimate of the impact of last December's purchase of a 30 per cent stake in Malev, the Hungarian airline, but in 1991 it had earnings of \$38m.

The final quarter's results take Penney's full-year profits to \$777m after tax, and 12-month sales to \$1.8bn. In the previous year, the company made a net profit of \$50m after restructuring and accounting-related charges of \$448m.

Yesterday, J. C. Penney shares rose strongly on news of the final quarter's figures, adding 2% at \$78 1/2.

The improvements last year had been spread across all of its main merchandise divisions - including womens and menswear, childrenswear, home furnishings, and catalogue. It also said early spring merchandise sales in the current year looked well.

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## Sandberg behind trade bank purchase

By Barbara Harrison in Miami

SIR Michael Sandberg, former chairman of Hongkong and Shanghai Bank, is behind the acquisition of First American International Bank of Miami, a subsidiary of the BCCI-tainted First American Bank of Georgia, which is in liquidation.

First American of Miami, which specialises in trade finance for Latin America, will be acquired for \$6.5m by AmTrade International Bank of Georgia.

AmTrade International Bank, which is being created for the Miami acquisition, also intends to start the only bank exclusively devoted to trade finance in Georgia.

AmTrade International is 94 per cent owned by a holding company called Broadstreet, organised last year and chaired by Sir Michael, Broadstreet won approval this week from the US Federal Reserve for the two transactions.

Mr Robert Ginstrom, an Atlanta attorney who is president of Broadstreet, said the group aimed to expand substantially the trade finance business of the Miami bank, which will be renamed AmTrade International Bank of Florida.

The bank last year was rolling over around \$75m to \$80m in trade financing every 90 days, according to Mr Vincent Cater, formerly an official with First American in Miami and now president of AmTrade International. The company is linked to a network of 450 corresponding banks in 88 countries.

AmTrade International in Atlanta will target small and medium-sized companies, said Mr Ginstrom. He said both banks would focus on building trade finance business with Asia and Europe. The Miami branch will seek to expand its US-Latin American business to finance Latin American trade with Europe and Asia.

Given the Federal Reserve's approval, the creation of AmTrade International of Georgia and the Miami acquisition are expected to be completed in the next few weeks.

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## INTERNATIONAL COMPANIES AND FINANCE

## Top two at Showa Shell to quit over losses

By Michio Nakamoto in Tokyo and Deborah Hargreaves in London

THE president and chairman of Showa Shell Sekiyu, the Japanese oil refiner and distributor 50 per cent owned by Royal Dutch/Shell, are resigning to take responsibility for ¥125bn (\$1.07bn) of so far unrealised foreign exchange losses which the company revealed last weekend.

Mr Takeshi Henmi, president, and Mr Kiyoshi Takahashi, chairman, will step down after steps have been taken to ensure that the foreign exchange losses will be covered, the company announced yesterday.

Mr Henmi will also be resigning his post as vice-chairman of the Petroleum Association of Japan.

The Shell group has already said it will send Mr Neil Gaskell, head of investments, to the board of the Japanese company. Currently, Shell has one representative on Showa Shell's board.

Shell, which made a provision of ¥121m (\$1.03m) to cover the currency losses to the fourth quarter, announced yesterday it would make a further provision of ¥55m in the first quarter.

Mr John Jennings, Shell group managing director, said the currency speculation was a "gross contravention of the company's internal procedures and practices."

He said the company was reviewing whether to tighten up its rules that govern the activities of associate companies. Shell is also looking at further disciplinary measures

at Showa Shell. One executive in the treasury division has also resigned and another has been moved to another part of the company, while the manager in charge of treasury operations has been dismissed.

Executives and auditors will also surrender their bonuses. Showa Shell Sekiyu expects to incur losses of ¥125bn on dollar-futures trading conducted by a small group in the company's finance department.

The group speculated in 1989 that the dollar would rise and continued to roll over futures contracts over four years, in breach of company rules.

The company said yesterday it planned to cover the losses by selling assets, mainly stocks, and by making a charge against profits. For 1993, it expects to cover ¥70bn of losses through asset sales of

¥50bn and an extraordinary charge of ¥20bn. Showa Shell has already moved to limit the losses by capping the exchange rate at which it will buy dollar futures, it said.

Over a period of about four years, the group in the treasury department took contracts to buy the dollar at a future date at an average rate of ¥145.

During that time, however, the dollar fell to about ¥125 on average, and Showa Shell's losses snowballed.

Depending on moves in the currency market the losses could be as high as ¥160bn. The futures trading continued unknown to top management as the group postponed settlement of their contracts so that, while the losses multiplied, nothing appeared in the

company's accounts. Japanese accounting rules do not require the disclosure of losses unless they are actually realised.

Yesterday, the company also announced a 12 per cent drop in profits for the year to December 31. Pre-tax profits fell to ¥38.09bn from ¥43.39bn the year before. Sales slipped 3 per cent to ¥1,565bn from ¥1,617bn. The Showa Shell figures did not include a provision for the foreign exchange losses.

Showa Shell said that the main reason behind the fall in profits was the slide in oil prices in Japan coupled with a rise in costs, mainly relating to transport.

Although oil prices fell, the volume of sales increased and this added significantly to domestic costs, the company said.

## Chinese steelmaker buys HK group

By Simon Holberton in Hong Kong

SHANGHAI Corporation, the state-owned Chinese iron and steel maker, has purchased 25.12 per cent of Eastern Century, a Hong Kong-based metals and minerals trader, for HK\$14.2m (US\$1.2m).

This is Shanghai's second foray into the Hong Kong market - in October it bought a controlling interest in Tung Wing Steel, a steel trader and distributor - and follows acquisitions as far afield as Peru and California.

The company, also known as Capital Steel, is believed to be in the bidding for Overseas Trust Bank, which has been put up for sale by the Hong Kong government.

Eastern Century was listed on the Hong Kong stock exchange in April last year. Its main business is the trading of manganese ore and manganese ferro-alloys - essential raw materials for steel making.

Last year it went into a mainline venture for the production of manganese ferro-alloys when it established Xinyu Far East Ferro Manganese and Shanghai Shenjia Ferro-Alloys.

Shanghai, with headquarters in Beijing, published its financial results to coincide with the deal.

Last year, it earned pre-tax profits of ¥23.2bn (\$555.5m) on turnover of ¥113.4bn - the highest profit before tax of China's top 500 national companies. Fixed assets were valued at ¥230bn.

Mr Chan Chun Keung, chairman of Eastern Century, said: "The injection of Shanghai's capital, expertise in technology and management will further the group's interest in the People's Republic."

After the deal, Mr Chan's shareholding in Eastern Century, will fall to 28.28 per cent from 45.98 per cent, and that of Decade International, a French investor, will fall from 16.61 per cent to 5.79 per cent.

## Big turnaround in shipbuilding boosts Daewoo

By John Burton in Seoul

DAEWOO, South Korea's fourth-largest conglomerate, yesterday reported a 10-fold increase in net profits for 1992, mainly due to improvements in its securities and shipbuilding operations.

Net earnings for Daewoo, which consists of 22 subsidiaries, rose to Won285.3bn (\$376m) from Won28.4bn in 1991. Sales increased by 25 per cent to Won20,000bn.

The results were encouraging for Daewoo, which has had slim profit margins in the last few years due to losses in its key industries. Profitability had also suffered from a mounting debt burden, with high-interest short-term loans accounting for about one-third of outstanding borrowings in 1991.

Daewoo Securities reported a sharp increase in earnings, which climbed to Won55bn from Won1.3bn. This reflected increased brokerage activity as the Seoul bourse posted its first annual gain in three years. Turnover for the firm rose by 68 per cent to Won380bn.

Daewoo Shipbuilding, which is unlisted, posted the biggest profits among the group companies with earnings of

Won211bn, a 157 per cent increase over the year before. Sales rose by 43 per cent to Won1,550bn.

The sharp profit increase of the shipbuilding unit was due to rationalisation and a rise in orders. The company also diversified into vehicle production last year and reported good sales for its range of minicars and vans.

The results represent a dramatic turnaround for Daewoo Shipbuilding, which suffered huge losses in the late 1980s and had to be rescued from possible bankruptcy in 1989 with a Won400bn government loan.

As part of the rescue package the government ordered Daewoo Shipbuilding to merge with Daewoo Heavy Industries, traditionally one of the group's strongest units, by the end of 1994 to improve its financial stability.

Sales and earnings at Daewoo Heavy Industries, a machinery manufacturer, declined in 1992 after three years of growth.

Earnings fell by 44 per cent to Won10.5bn, while sales dropped by 10 per cent to Won90.4bn. The decrease was blamed on sluggish domestic industrial investment and a downturn in construction.

## US insurer to quit Japan

By Emilio Terazono in Tokyo

CONTINENTAL Insurance, the Japanese arm of US casualty insurer Continental Corporation, yesterday announced it would withdraw from the Japanese market in September.

The move is part of Continental's restructuring of its overseas network after facing losses from hurricane damage and the costs of reinstating catastrophe reinsurance.

It may trigger similar decisions among US casualty insurers facing huge claims for damages caused by hurricanes Andrew and Iniki. Japan's tightly-regulated insurance market has also been a barrier

for foreign insurers, which find it difficult to crack traditional relationships between Japanese business and their insurance companies.

Continental has about 30,000 contract holders in Japan, and its premium income totalled ¥1.2m (\$10m) during the year to March last year, ranking eighth among 33 foreign insurance companies in Japan.

The Tokyo arm of Assicurazioni Generali, a leading Italian casualty insurance company which started its Japanese operations in 1991, will take over Continental's operations and contracts. Continental's 50 employees are also expected to be transferred to Assicurazioni.

## Renison falls to A\$10m in first half

RENISON Goldfields, the Australian mineral sands, tin, gold and copper mine which is 40 per cent owned by Hanson of the UK, yesterday posted a fall in net profits to A\$10.35m (US\$7.21m) for the first half to December, from A\$23.54m a year earlier. Reuter reports from Sydney. The group also said it would have difficulty matching the profits in the second half.

Sales advanced to A\$328.9m from A\$299m; earnings per share fell to 5.2 cents from 11.9 cents; and the interim dividend is being halved to 2.5 cents. Mr Campbell Anderson, managing director, said: "The company does not anticipate any significant market recovery in the second half."

He said that, to contain operating costs, plant rationalisation in mineral sands might require a limited write-down of existing plant and equipment.

He said the first-half result was disappointing and reflected mainly depressed conditions in most of Renison's principal commodity markets.

Mr Anderson said US dollar gold prices were below those of a year ago, and the price improvement, experienced in copper and tin early in the half year proved to be short-lived.

## Tough first half for Brambles

By Kevin Brown in Sydney

BRAMBLES Industries, the diversified Australian transport group, yesterday blamed economic conditions in Europe and the US for a 0.7 per cent fall in net profit to A\$88m (US\$59.8m) for the first half to end-December. Sales fell 10 per cent to A\$1.32m.

Mr Gary Pemberton, chief executive, said the result "fell short of expectations", mainly because of reduced demand for waste processing in the US and a lower UK contribution.

Mr Pemberton said prospects for the second half were difficult to predict, but "any reasonable reading of overseas

economic conditions would demand caution."

He said Brambles' full-year result would be "particularly sensitive" to the state of the US economy, where the newly established Chup USA pallet business recently won a big contract with Campbell Soup, the US food group.

Brambles said the contribution from Australian operations slipped slightly from last year, but added that the economy had showed some signs of recovery before pre-election jitters set in after the New Year. Some Australian businesses contributed improved trading profits, but the economy continued to provide a difficult trading environment for most of the company's industrial service activities.

In Europe, the group's new contracting, records management and forklift businesses contributed to a slight improvement in trading profits, although crane and construction-related operations were "disappointing."

Mr Pemberton said UK trading conditions were tough. The effects of high interest rates and rising unemployment were most severe on the Cleanaway and GKN-Chep joint ventures.

The group said the interim dividend would be maintained at 30 cents, fully franked.

## Asahi Glass warns of tough year

By Charles Leadbeater in Tokyo

THE Japanese business environment will remain severe for most of this year. Asahi Glass, the country's leading glassmaker, warned yesterday when it reported a 35.5 per cent fall in ordinary income for the year to the end of December.

Asahi Glass' sales fell by 1 per cent to ¥1,011bn (\$8bn), operating income fell by 46.9 per cent to ¥25bn, ordinary income was cut to ¥40bn, and net income declined by 44.6 per cent to ¥20.4bn.

The company's consolidated sales rose by 5 per cent to ¥1,516bn, but its operating income fell by 32 per cent to ¥20bn and net income declined by 35.5 per cent to ¥20bn.

Asahi Glass said it was pressing ahead with a three-pronged restructuring programme, to cut costs, improve co-ordination between its Japanese and overseas subsidiaries and put more emphasis on more sophisticated, higher value-added products.

The glassmaker has been badly hit by a fall in demand from the Japanese car and electronics industries and the stagnant construction sector.

## Finance sector lifts Lend Lease 1.6%

By Kevin Brown

LEND LEASE, the Australian life insurance and property group, yesterday announced a 1.6 per cent increase in net profit to A\$11m (US\$79m) for the six months to the end of December.

The result included a sharply higher contribution from financial services activities, offsetting a further decline in property earnings, which fell from 32 per cent of net profit to 27 per cent.

Mr Stuart Hornery, chairman, said the group expected to exceed last year's full-year net profit of A\$195.5m. The interim dividend was raised from 32 cents to 33 cents, fully franked.

The group said retail financial services contributed A\$75m to net profit, compared with A\$56m in the previous comparable six months. The result included a dividend of A\$13m from Australian Eagle Life, which was acquired last year.

Lend Lease said the downward trend in profits from property development, construction and management was believed to have stabilised. The property services division earned A\$42m before tax, compared with A\$51m.

The group said it expected strong growth in the contribution from management of corporate superannuation funds. Premium income from corporate superannuation rose to A\$751m from A\$640m during the period.

## Frontrunner 1, Sicav

672, rue de Nieuport  
L-2220 Fiebel

R.C. Luxembourg No. B. 31442

## Notice of Meeting

Shareholders of Frontrunner 1, Sicav, are hereby invited to attend the Annual General Meeting, which will be held on March 15, 1993, at 10.00 a.m. at the registered office, with the following:

**AGENDA:**

1. Submission of the reports of the Board of Directors and of the Authorized Independent Auditor;
2. Approval of the balance sheet and the profit and loss statement as at December 31, 1992;
3. Discharge to the Directors and the Authorized Independent Auditor in respect of the carrying out of their duties during the fiscal year ended December 31, 1992;
4. Election of the Directors and the Authorized Independent Auditor;
5. Miscellaneous.

The shareholders are advised that no quorum for the issue of the agenda is required and that the decisions will be taken at the majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may not act at any Meeting by proxy.

Shareholders wishing to attend the Meeting are requested to notify Frontrunner Management Company S.A. by March 10, 1993 at the latest.

By order of the Board of Directors  
Frontrunner Management Company S.A.  
672, rue de Nieuport  
L-2220 Fiebel  
Telephone: +352 4387215  
Telex: +352 439332

## CONTRACT ELECTRONICS MANUFACTURING

The FT proposes to publish this survey on March 16 1993, prior to the NEPCON Exhibition at the NEC in Birmingham.

This will be of interest to nearly 90% of Captains of Industry in the UK who read the FT and also to our international readership as the Survey will be published in Frankfurt, Roubaix, New York and Tokyo.

If you want to reach this important audience and wish to receive a copy of the editorial synopsis and advertising rates, call:

Clive Radford  
Tel: 0272 292565  
Fax: 0272 225974  
Merchants House,  
Wapping Road,  
Bristol BS1 4RU

Data source: Captains of Industry Survey 1992  
FT SURVEYS

NEW ISSUE

This announcement appears as a matter of record only.

February, 1993



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Banque Bruxelles Lambert S.A.

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Merrill Lynch International Limited

Morgan Stanley International

PaineWebber International

Ryoko Securities International Limited

Salomon Brothers International Limited

Swiss Bank Corporation

Swiss Volksbank

Universal (U.K.) Limited



## SPIN-OFFS

Man Management and Innovation  
BRUSSELS 11TH & 12TH MARCH 1993



"Spin-off" is the term increasingly used to describe the system of decreasing staffing levels of major corporations by encouraging executives to set up separate enterprises as satellites to the parent company. What companies stand to gain from spin-offs, and the advantages of this fast-growing technique for local, regional, national and even European economic development, are to be discussed by top industrialists, senior EC Commission officials and politicians at this high-level conference.

Participants will represent scores of major companies around Europe already benefiting from corporate spin-offs, and Forum Europe's lively debating style will provide the ideal opportunity for professional contacts to be made.

For more information please return this completed form to Forum Europe, OR if in UK telephone British Coal Enterprise Ltd. on 0800 444 235 quoting "EBN" giving the information requested below.

Name ..... Company / Institution ..... Country .....

Address ..... Fax .....

Tel. ....

I would like to receive information concerning:

☐ Spin-off conference ☐ British Coal Enterprise ☐ CERRM ☐ EBN ☐ Forum Europe

Forum Europe 88 rue des Patriotes, B 1040 Brussels, Belgium Tel: (32 2) 736 14 30 Fax: (32 2) 736 32 16

\* The European Business and Innovation Centre Network (EBN) is supported by the Commission of the European Communities.

John, in Lito



## INTERNATIONAL CAPITAL MARKETS

## Currency debt re-rating threat hits Italian futures

By Antonia Sharpe in London and Karen Zagor in New York

ITALIAN government bond futures fell steeply yesterday afternoon on news that Moody's investor services, the US credit rating agency, had placed Italy's long-term foreign currency debt rating of Aaa under review for a possible downgrade.

Moody's last reduced Italy's foreign currency debt rating to Aaa from Aaa1 in August. Earlier in the day the Italian government bond market had been supported by news that the government of Prime Minister Giuliano Amato had survived its second vote of confidence in the space of three weeks.

Late in the day, the Liffe March BTP futures traded at 95.51 on volume of 19,243 contracts, down from a high of 95.50 in the early afternoon, and below the previous day's close of 95.85.

Moody's said it had taken this action because of two concerns, firstly because of the day's progress in reducing the country's public sector deficit, and secondly, because efforts to improve the fiscal balance have been impeded by the deepening political crisis.

Moody's also lowered the domestic currency rating of Enel, the electricity authority, to Aaa3 from Aaa1 and also placed the rating under review for further downgrades. Enel

## GOVERNMENT BONDS

debt is guaranteed by the Italian government. A total of \$62.5bn worth of debt is affected.

Meanwhile, the Bank of Italy said it planned to change the auction system for government securities. Mr Bruno Bianchi, head of the central bank's monetary and financial division, said the revised system would be computer-based in order to shorten the time of the auction. The new system could go into effect next year.

Currently, banks participating in the securities auctions must send a telex to the central banks to make their bids.

UK GOVERNMENT bonds rose steadily to close at the day's highs, supported by a slight recovery in the pound from its record lows. The long end rose between 1/4 and 1/2 point. The gain at the shorter end was limited to 1/4 point.

## FT FIXED INTEREST INDICES

	Year							
	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	High	Low
Govt/Issued	98.25	98.52	98.54	96.57	96.26	98.35	99.57	95.11
Fred Interest	112.35	112.50	112.41	112.25	112.02	101.28	112.50	97.18
* Fixed Interest Government Securities 150/90s/Fred Interest 150/90s								
* For 1990/91, Government Securities 150/90s, 112 1/2 (1/2)/90s, 112 1/2 (1/2)/90s								
* Fixed Interest Government Securities 150/90s, 112 1/2 (1/2)/90s, 112 50/33 (1/2)/90s								
GLT EDGED ACTIVITY								
Indices*	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17
GLT Edged Gedeas	138.1	127.2	135.5	131.4	140.8	146.8		
5-Year Gedeas	138.1	136.1	140.4	141.8	145.8	146.8		
* GLT Edged Gedeas (category 1974)								



## COMPANY NEWS: UK

Contribution from Sun Life nearly doubled to £36.7m

## TransAtlantic slips to £60.7m

By Richard Lapper

TRANSATLANTIC Holdings, the property and life insurance group which obtained a London stock market listing last year, yesterday announced a marginal fall in pre-tax profits from £61.2m to £60.7m for the year to December 31.

Earnings per share fell to 9.83p compared with 14.62p in 1991, reflecting increases in the amount of unrelieved advance corporation tax and reduced interest capitalisation.

A recommended final dividend of 6p raises the total for the year to 15p, against 11.45p in 1991.

TransAtlantic is owned jointly by Liberty Life, the South African life insurance company, and Union des Assurances de Paris, France's largest insurer. It owns 50 per cent of Sun Life Holdings, the UK life insurer, and Capital & Counties, the property company.

Mr Donald Gordon, chairman, said he was "especially encouraged by the performance of Capital & Counties' regional shopping centre portfolio, which has demonstrated strong signs of buoyancy both in turnover and an improved market share of retail trade."



Donald Gordon: especially encouraged by the performance of Capital & Counties' regional shopping centre portfolio

Income from property investment amounted to £67.9m (£68m), while proceeds from property trading were £3.5m (£2.2m). Administrative expenses fell to £11.7m (£12.6m). Income from Sun Life nearly doubled to £36.7m (£18.7m).

Interest payable amounted to £35.7m, against £7.4m in 1991, reflecting a significant reduction in interest capitalised on property development projects from £34.4m to £11.6m, principally because interest capitalisation ceased at June 30 1991 on the Thurrock Lakeside Shopping Centre development.

Share capital and reserves increased from £778m to £948m. The value of investment properties rose to £1,050m (£1,010m), with the advance reflecting a large rise in the valuation from £235m to £380m of Thurrock Lakeside, which amounts to 40 per cent of TransAtlantic's property portfolio.

Special assumptions were made about the exceptional turnover rent potential of the Thurrock development. £26.8m of the increase was due to exchange rate fluctuations.

Separately, Sun Life yesterday reported a 12 per cent increase in pre-tax profits to £48.7m (£41.7m), although new premium income fell marginally to £1,480m compared with £1,501m in 1991. New single premium amounted to £1,480m (£1,410m), with regular premiums falling by 3 per cent to £28.6m.

## Inchcape completes resources withdrawal

By Catherine Milton

INCHCAPE, the motor and business services group, yesterday lost another link with its colonial past as Inchcape reached its 50 per cent owned Singapore-based subsidiary, sold its timber offshoot to local investors for £34m.

The move completes Inchcape's withdrawal from resources operations.

In 1991 it sold its tea investments and is now almost exclusively focused on its core motor, marketing and services businesses, apart from the old country club and time share operation, acquired in March 1992 when it bought TKM, funded by a £575m rights issue.

Inchcape Timber Group has operations in Malaysia, Indonesia, Papua New Guinea, Singapore and Hong Kong and is involved in the extraction of tropical hardwood and softwood logs, and the processing and trading of timber products.

Inchcape's interest in timber stretches back to the 1860s.

The company incurred a pre-tax loss of \$200,000 (£63,875) for the 1992 year on turnover of \$918.1m.

Inchcape said that the sale would result in an extraordinary profit of £3.5m, less expenses.

The sale is conditional on regulatory approval.

ITG's trading profit had declined in the last three financial years following the expiry of its main logging concession, the difficult operating environment at the new logging concession in Papua New Guinea between 1990 and 1992, and necessary conditions in the main timber markets, Inchcape said.

Mr Charles Mackay, chief executive, said: "The deal is a good one for Inchcape in both strategic and financial terms. At the same time, it will ensure a good future for the partners, management and employees in the timber business."

## Weak pound helps Micro Focus rise 23% to £22.3m

By Andrew Adonis

AIDED BY the weak pound, Micro Focus, the Newbury-based software company, maintained its record as one of the UK electronics sector's strongest performers with profits up 23 per cent and a cash reserve of £52m.

Pre-tax profits for the year to January 31 were £22.3m (£18.1m), with turnover ahead 21 per cent to £67.7m (£55.9m).

The results were in line with City expectations and the shares closed down 30p at £25.15. At their peak, last month they reached £29.96, after a steep ascent from 800p at the start of 1991.

Earnings per share, fully diluted, increased by 28 per cent to 106.2p (£81p).

Most of the company's cash is held in dollars, the strength of which helped to increase reserves to £52.5m at the end of January, 71 per cent up on January 1992.

Mr Paul O'Grady, chairman, did not rule out an acquisition this year, but said it was unlikely.

Micro Focus supplies software tools for programming in Cobol, internationally the most widely used data processing language. Shipments of Workbench, its leading package, were 29 per cent up, with maintenance accounting for 21 per cent of direct revenues.

More than 40 per cent of the company's stock is now held in American Depository Receipts and another 5 per cent in other forms of US stock. The group is traded on New York's Nasdaq market and has a foreign private issuer status with the US Securities and Exchange Commission. More than half of revenue comes from the US.

Mr O'Grady said that despite the depressed market he expected Micro Focus to "maintain or exceed its current growth rates," with the company's new 32 bit technology released this year "the foundation of our product strategy".

Growth in direct sales of software products was up 25 per cent in dollar terms, accounting for 80 per cent of total revenues. Sales to original equipment manufacturers were up 6 per cent. Contracts

renewals included Data General, Motorola, Hitachi, Fujitsu, Siemens-Nixdorf and Bull.

Staff numbers rose to 613, up from 445 two years ago. Average revenues per head are up from \$385 to \$530.

## COMMENT

Micro Focus continues to dazzle a depressed electronics sector. Analysts expect the rate of increase in US earnings to slow slightly this year, but growth of 20 to 25 per cent remains impressive. With research and development spending up by nearly a third and a cash mountain of £52m - which its chairman insists just lets him "sleep easily at night" - nothing is being left to chance. Both the direct marketing of its software tools, and its maintenance contracts, offer sound prospects for medium-term growth. Pre-tax profits are forecast to rise from £26.4m to about £34m for 1993, equal to earnings per share of 157p. With a prospective multiple of 16, it does not appear overpriced, although no change in dividend policy is expected.

## Expansion in UK market planned

By Richard Lapper and Vanessa Houlder

TRANSATLANTIC Holdings, the financial services group, is gearing up for expansion in the UK.

"We intend to increase our exposure in the UK insurance market and increasingly in the insurance markets of the English speaking world," said Mr Donald Gordon, the South African life insurance entrepreneur who chairs the company.

Mr Gordon said a number of larger UK insurance companies were "looking for a big brother" and that TransAtlantic was aiming to acquire a business in the "larger end of that market. The bigger they are, the better the bargain."

Union des Assurances de Paris, the state-owned French company, which owns 18 per cent of TransAtlantic, was particularly keen to expand in UK non-life business where increases in premium rates are leading to improved profitability after three years of losses. The two companies jointly own Sun Life, one of the UK's largest life insurance companies.

However, Mr Gordon ruled out any interest in Guardian Royal Exchange, the

UK composite with which he has had long-standing links. GRE sold part of its South African subsidiary, Guardian National, to Liberty Life in 1978, but retains a 51 per cent interest in the company. Mr Gordon is a member of the GRE board. "It is not part of an agenda I have for myself. It would get too close to being incestuous."

Mr Gordon also delivered some sharp criticisms of UK valuation techniques, which he claimed exacerbated the downturn in the property market. They were "particularly inappropriate" for high quality shopping centres such as Thurrock Lakeside, he said.

Valuations of UK property depend on past property sales, since they are based on the price that the property could be expected to fetch if it were placed on the market by a willing seller. Mr Gordon argued that this process was flawed in the case of large shopping centres because they were hard to compare with each other and were rarely sold.

Furthermore, he claimed that "no rational company or person would... be a willing seller of a major, high potential regional shopping centre or any other

prime property in the depths of serious recession."

Future valuations for the entire industry could be affected by forced sales or a price obtained by a liquidator or receiver, he said. Valuation techniques "may have played a part in exacerbating the downward spiral of values in recessionary conditions and the upward movement in valuations in boom times."

He claimed that valuers were wrong to value high street shops more highly than shopping centres, which he said had better prospects for income growth. If Thurrock Lakeside had been valued on a 6 per cent yield, like many high street shops, it would increase its valuation by £45m to £425m.

Mr Gordon's criticisms of open market valuation techniques were dismissed by Mr Andrew Cherry, head of the assets valuation standards committee of the Royal Institution of Chartered Surveyors. Banks were only willing to lend against the open market value of property, he said. "At the end of the day, a property is worth what someone is willing to pay for it."

## Aberdeen declares Brabant offer final

By Peggy Hollinger

ABERDEEN Petroleum yesterday declared final its hostile all-share offer for fellow USM company Brabant Resources with the publication of an offer document and annual results showing pre-tax profits up by £277,000 to £355,000.

The group's shares rose 13 per cent on the news to close at 15p. Brabant's shares held steady at 37p.

The profits increase was achieved on the back of lower overheads and an exceptional gain of £201,000 on asset disposals. Sales, dampened by the fall in the average oil price from \$18.05 to \$16.94, declined from £2.9m to £2.6m.

Mr David Hooker, Aberdeen's managing director, said the group's profits were the result of getting the "house-keeping right".

Referring to the bid for Brabant, he said that future substantial growth for many small

UK-quoted oil and gas companies depended on rationalisation in the sector.

Aberdeen's offer document drew attention to the losses incurred at Brabant and its "historic lack of success" in the exploration field.

Aberdeen, which owns or has undertakings for 21.4 per cent of Brabant, claimed that the bid of 35 of its shares for 10 of Brabant's valued the target

at 46.1p. This represented a 75 per cent premium over Brabant's price the day before Aberdeen indicated its interest, the document said.

However, Mr Nicholas Gay, Brabant's finance director, said the valuation was based on an inflated Aberdeen share price, "supported by bid speculation".

Using the 6p price for Aberdeen on December 7, Mr Gay said the bid valued Brabant shares at 21p.

Analysts have speculated that if the offer for Brabant, which is largely UK based, does not succeed, then Aberdeen will become the target of an aggressive approach from Pittencrieff.

Pittencrieff earlier this week increased its stake in Aberdeen from 16.6 per cent to 19.1 per cent. The acquisitive resources company is determined to expand both in the US and Canada, where Aberdeen's assets are based.

## London Forfeiting rises by 20% to £18m

By Roland Rudd

THE EXPANSION of its international network helped London Forfeiting, the specialist trade finance house, report a near 20 per cent increase in pre-tax profits, from £15.1m to £18.1m, in 1992.

Forfeiting is the provision of trade finance through fixed rate loans, which are sold at a discount to banks and international companies.

The company increased its presence in the US and Far East, and last month opened an office in the Czech Republic.

Some 80 per cent of its revenue is generated overseas.

Mr Peter Buckley, chairman, said the international base would continue to be widened. The final dividend is increased to 5.5p for a total of 8.4p (7.625p). Earnings per share rose to 13.75p (11.52p).

Because of his increasing executive commitments with Caledonia Investments, Mr Buckley is standing down as chairman in favour of Mr Jack Wilson, chief executive. Mr Stathis Papoutas, managing director, is to become chief executive.

## Computer Management expands to near £10m

By Alan Cane

COMPUTER Management Group, the privately-owned computing services company, saw pre-tax profits improve by 47 per cent to £9.5m in 1992 as a result of careful housekeeping, higher interest income and strong foreign earnings.

The company now derives 60 per cent of its sales from overseas, chiefly the Netherlands, where according to Mr Ronald White, chairman, the market continues to grow strongly.

Revenue was £11.6m, a 12.8 per cent improvement over last year's £10.3m. Operating profit was £9.5m (£6.7m) per share. Earnings per share increased to 41.3p (£30.8p).

The group intends to seek a market listing.

## Smaller Cos Trust assets edge ahead to 84.07p

By Andrew Adonis

Net asset value of the Smaller Companies Investment Trust edged ahead from 82.85p to 84.07p over the 12 months to December 31.

Net revenue amounted to £478,000 (£409,000) for earnings of 3.15p (£2.7p) per share. A recommended final dividend of 1.4p brings the total for the year to 2.5p (£2.5p).

## Reshaped Dunkeld in black

By Alan Cane

TURNOVER was down slightly, from £6.01m to £5.44m, reflecting the continuing lack of volume in the housebuilding market, with completions in the period amounting to just 60 units against 61 for the comparable period.

Interest payable fell to £63,000 (£80,000). Losses per share came out at 0.6p (11.7p).

Flogas moves ahead 12% to £3.2m

Pre-tax profits at Flogas, the Drogheda-based liquid petroleum gas company, rose 12 per cent from £2.85m to £3.2m (£2.8m) in the six months to December. Turnover was slightly lower at £22.4m, against £22.6m.

Earnings per share rose to 10.83p (9.54p) and the interim dividend is unchanged at 2.94p.

Green Property advances 39%

Green Property, the Dublin-based property developer and investor, improved pre-tax profits by 39 per cent to £1.83m (£1.32m) in 1992 against £1.32m. The company has implemented the new financial reporting standard, FRS 3, which, it said, had reduced profits by £370,000 (£381,000).

Net rents and other operating income rose to £25.32m (£24.71m).

## NEWS DIGEST

Justice to the expectations of our other classes of shareholders."

The pay-out for the year was likely to be less than 9.5p per share - "a base from which dividend growth should resume".

Directors stressed that the total dividend of 12.75p for the current year, as forecast in the prospectus, would be achieved.

Roxspur shows £343,000 loss

Roxspur, the USM-quoted playground equipment manufacturer, formerly Levercraft, incurred a pre-tax loss of £343,000 in the six months to November 30.

The outcome, struck after remedial costs of £195,000 and reorganisation charges of £94,000, compared with a profit of £1,000 last time. Interest took £28,000, against £51,000.

Turnover declined 50 per cent, from £2.4m to £1.2m. Losses per share were 6.7p (earnings of 0.02p).

British Vita in two N American deals

British Vita, the polymer, fibre and foam company, is expanding its foam conversion activities in North America through two deals worth about £4.5m.

In the US, the Vitafoam subsidiary has acquired Tennessee-based Nabors Manufacturing Company, which has turnover of some \$2m (£2.6m). In Canada, Vitafoam Products Canada has bought Pre Fab Cushioning Products, a Toronto-based foam conversion business with C\$10m (£5.6m) turnover.

Scottish Investment asset value at 236.9p

The Scottish Investment Trust had a net asset value per share of 236.9p at January 31, against 217.5p at the October 31 year end.

Colorgen slips back to \$9,000

Colorgen, the US-based colour matching specialist, traded on the USM, reported a fall in pre-tax profits from \$39,000 to \$9,000 (£6,200) in the half year to December 31. The result was affected by expansion costs.

Sales were up 50 per cent at \$5.1m (£3.93m). Net income per share was 0.1 cents (0.5 cents).

Frank Usher advances 44%

The conversion of record orders from the autumn/winter

Sir Peter said that refining margins in Europe and the US were too low to encourage the renewal of old plant.

In the fourth quarter, the company's refining and marketing division reported a profit of £27.8m compared with £25.1m in the same quarter of 1991.

Chemicals, which suffered from a continued downturn in the market for bulk products and persistent over-capacity, reported a loss of £22.3m compared with a profit of £23m.

In the final quarter of last year the loss reached £180m compared with losses of £90m.

Earnings per share increased to 32.5p against 24.5p and Shell declared a final dividend of 12.6p (12p) to lift the total for the year from 20.5p to 21.5p - a rise of 4.8 per cent.

Shell has maintained its strong financial position with net debt at £2.4bn and its debt to equity ratio at 7 per cent.

During 1992, Shell saw its oil production increase by 3 per cent to 2.2m barrels a day (b/d) - the highest level since mid-1970s - with gas sales also up by 3 per cent.

In the fourth quarter, the company increased its profits from exploration and production from \$381m to \$382m in what analysts called an "unusual" result, part of which is attributable to a lower tax bill.

Shell's refining and marketing operations showed a slight improvement on 1991 with profits rising to £1.24bn (£1.16bn) largely on the back of stronger sales in the Far East market.

SHARES IN Macro 4 jumped 23p to 635p after the software group lifted profits by 29 per cent in the six months to December 31.

Profits before tax went up to £2.6m, against £2.33m, on turnover ahead 27 per cent at £11.2m (£8.83m). Nearly 80 per cent of sales are overseas.

Earnings per share rose to 14.8p (11.5p) and the interim dividend goes up to 6.27p (£1.4p).

For the last full year to June 30 the group declared a special dividend of 5p on top of a final of 12.75p. Mr Terry Kelly, chairman, had hoped to see a final dividend "similar" to last year, with performance for the second half expected to be "slightly better" than last year.

With 40 per cent of its business in the US, the group was helped by the depreciation of sterling. Mr Kelly said business in the US and south-east Asia was recovering but UK, Australian and Scandinavian businesses remained "flat at best."

The cash position improved by \$600,000, with reserves of £16.2m at the end of the period. A Spanish subsidiary established last October is expected to break even this year.

1992 collections into sales helped Frank Usher, the USM-quoted women's clothing group, report interim pre-tax profits up 44 per cent on sales ahead 21 per cent.

However, with the second half usually less profitable and the costs of the move to a new showroom falling due in the period, directors did not expect the results to match those of the first.

Profits for the six months to November 30 were £43,000 (£585,000) on turnover of £9.23m (£7.61m). Earnings per share were 8.5p (£7.7p). The interim dividend is 2.5p (2p).

Murray Ind lifts dividend by 4.6%

Murray International Trust, managed by Murray Johnston, is increasing its dividend for 1992 by 4.6 per cent, from 10.9p to 11.4p, with a final of 3.5p.

The trust also declared an interim of 8.1p for 1993, compared with a forecast 7.9p, and is forecasting a final of 3.6p.

Holders of the B shares will receive a scrip issue on the basis of 3.95679 shares for every 100 held on March 31.

Net assets at December 31 stood at £351.8m compared with £304.3m - equal to 233.3p (£23.7p) per share.

Net revenue was £12.9m (£13.4m) - equal to 10.9p (11.31p) per share.

## MICROTEK INTERNATIONAL, INC.

(Incorporated in the Republic of China with limited liability)

Notice to the holders of the outstanding Microtek International, Inc. (the "Company")

US\$29,000,000

3.5 per cent. Bonds due 2001 (the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Board of Directors of the Company by a resolution dated February 17, 1993, proposed the issue of 15,000,000 shares of the Company's Common Stock for free distribution to shareholders as a dividend, and employees as a bonus. The above resolution shall be submitted to the Shareholders' Meeting scheduled for May 25, 1993, for approval. With such approval, along with the written approval from the authority in charge, the Board of Directors shall then establish an appropriate cut-off date.

26 February, 1993

Microtek International, Inc.

## SINGAPORE

The FT proposes to publish this survey on March 29 1993. For further information telephone Samantha Taylor 07-573 2075 Fax 071-473 3793 or Sarah Pakeman-Walsh (Hong Kong office) (852) 588 2843 Fax (852) 537 1211

## FT SURVEYS

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## Royal Insurance trims deficit to £119m

By Richard Lapper

ROYAL Insurance, one of the UK's largest insurance companies, yesterday announced a £20m increase in its reserves against possible employers' liability claims arising from industrial diseases such as asbestosis and repetitive stress injury.

This indicates that the industry, hard hit by weather and recession-related claims in recent years, may soon face problems from a fresh source.

The decision, combined with news of heavier than expected losses at Royal Re, the reinsurance subsidiary, clouded an otherwise impressive performance by Royal Insurance during 1992, which saw pre-tax losses fall to £119m from £373m in 1991.

Royal, which omitted its dividend last year, declared a final dividend of 3p, making a total of 5p (11.25p).

The group also announced a £100m subordinated bond issue. The proceeds - like those from a £75m convertible issue launched in December - will be used to repay short-term borrowings, lengthening the repayment profile of Royal's debt.

Royal has seen no increase in either notifications or actual claims on employers' liability business, but said that it was taking a more cautious stance in the light of the more "pro-

active" stance being adopted by trades unions.

The group has a market share of employers' liability business of about 5 per cent, according to Mr Roy Elms, director of underwriting.

Mr Richard Gamble, chief executive, said that the £25m improvement in trading reflected a lower level of weather and domestic mortgage indemnity claims in the UK but was achieved despite three major weather catastrophes in the United States.

Improvements reflected "the new breed" of tighter underwriting controls, added Mr Gamble. "We don't write for market share. We write for profit."

Worldwide premium income fell to £3.42bn (£3.46bn), with life premiums dropping to £322m (£390m). The fall in general insurance income largely reflected exchange rate factors. However, in the UK the company reduced its exposures sharply in motor business (down 10 per cent) and motor fleet (down 8 per cent).

Underwriting losses fell to £585m (£687m), reflecting a decline in losses on domestic mortgage indemnity - which insure borrowers against a portion of their losses on the sales of repossessed property - and losses from £257m in 1991 to £160m in 1992 and an improvement in most other lines.

Mr Gamble said that reserves

against DMI losses were £387m at the end of 1992. Some £60m in claims was paid out during the year. The group had not increased its most recent estimate of potential DMI losses.

Claims frequency in motor business declined by 10 per cent, with UK underwriting losses in personal motor falling to £12m (£34m).

Underwriting losses fell in the US and at Royal International, but increased by £3m in Canada. Underwriting losses at Royal Re rose by £40m to £26m, largely as a result of increased claims from recent catastrophe losses such as hurricanes Andrew in the US last year. Investment income fell to £486m (£492m), while income from associated undertakings dropped to £21m (£34m).

Estate agency losses rose to £33m, compared with a deficit of £19m in 1991. Costs associated with the restructuring of the network of offices by 67 to 517, more than outweighed the benefit of new cost controls, introduced by Mr Gamble.

Capital and reserves amounted to £2.6bn (up from £1.41bn), but would have fallen without exchange rate gains of £198m. The solvency margin - the yardstick which measures net assets as a percentage of non-life premium income - amounted to 44 per cent, compared with 40 per cent at the end of 1991.

See Lex

## Advertising income up but circulation revenue improved to 46% of total Telegraph shows 9% advance to £44.3m

By Raymond Snoddy

THE TELEGRAPH newspaper group, which floated last July, yesterday announced record pre-tax profits of £44.3m for 1992, an increase of 9 per cent despite the impact of the continuing recession on newspaper advertising revenues.

Mr Conrad Black, chairman of the Telegraph, which publishes both the Daily Telegraph and the Sunday Telegraph, admitted that the company had been apprehensive about 1992 because the recession showed so few signs of improvement.

However, group turnover rose by 8.3 per cent to £237.2m

and operating profit increased by 14.1 per cent to £27.5m. The proposed final dividend is 6.5p, higher than indicated at flotation, and makes a total of 11p for the year, a 22 per cent increase. This excludes the special dividend of 10p paid before the company came to market.

Earnings per share have dropped by 6.3 per cent to 23.8p because of a doubling of tax charges mainly because tax losses flowing from restructuring charges have been used up.

Costs were contained during the year and advertising revenue rose by 4 per cent, but the percentage of revenue from circulation rose to 46 per cent of

the total compared with 33 per cent in 1991.

There was also £5.9m income from associated companies, 90 per cent from a 15 per cent stake in the John Fairfax group in Australia.

"Our key has been fairly aggressive price increases," Mr Joe Oke, Telegraph managing director, said yesterday.

The key is then to invest in production to try to improve the position of 15 to 34 year olds using the paper.

A fully 20-page Business News section will appear for the 11th time this Saturday. The new section is designed to strengthen the Saturday paper

and try to lure away some Sunday Times advertising.

The Telegraph will call an extraordinary meeting towards the end of next month to vote on the plan to buy a stake in Southam, the Canadian newspaper group.

Hollinger, which owns 68 per cent of the Telegraph, has bought 23.6 per cent of Southam and proposes to sell half to the Telegraph. The Audit Committee of the Telegraph, which includes directors such as Lord Hartwell, Lord Swaythling and Lord Rawlinson, will decide whether to recommend the purchase to the board.

### COMMENT

The Telegraph's performance is a real achievement in the depths of a recession, although papers such as the Daily Telegraph do engender considerable loyalty. If there is an significant upturn, particularly in classified advertising, a big proportion of the revenue will flow to the bottom line, helped by the tight cost controls. Pre-tax profits could be as high as £53m to £58m this year, giving earnings of about 27p for an unbalancing p/e of 13. Further ahead, the Southam deal, followed perhaps by US acquisitions, offer the prospect of enhanced growth.

## Dixons enters computers superstores business

By Neil Buckley

DIXONS, the UK's largest electricals retailer, has entered the computer superstores business with the £3.5m purchase of Vision Technology Group.

VTG operates four PC World superstores in outer London at Croydon, Staples Corner, Brentford and West Thurrock. In the year to last August it made pre-tax profits of £400,000 on sales of £49.3m, after a charge of £400,000 relating to the cost of launching PC World.

A fifth store is due to open in Cardiff, south Wales, later this year.

Dixons said PC World represented the UK's first chain of specialist out-of-town computer superstores - a concept widely developed in the US.

"We are very excited about it," said Mr Stanley Kalms, Dixons chairman. "It gives us a running leap into this business and we are buying out a competitor who is doing very well."

Mr Kalms said PC World catered for more sophisticated customers looking to replace and upgrade existing systems, rather than the families and first-time computer buyers served by Dixons and Currys.

He said Dixons hoped quickly to establish market dominance in this sector, as planned to open up to 30 PC World stores within 3 years. Each store was likely to cost about £1m.

## Esor raising £5m to cut debt

By Peter Pearce

Esor Holdings, the UK-based building materials and motor group, is raising £5m through a rights issue and capital subscription.

Recent losses - £2.1m in the 6 months to September 30 - have prompted "strong demands" from the group's bankers to reduce debt by means of disposals.

Esor has agreed with Mr Kenneth Harrison, formerly chairman and chief executive of Harrison Industries, that he will underwrite the rights issue and subscribe for 10.4m shares.

He will be invited to join the board as chairman and managing director.

The rights shares are offered on a 3-for-5 basis at 10p each.

## Gascoigne sale helps to quadruple Spurs' profits

By Jane Fuller

TOTTENHAM Hotspur, the north London football club, made the bulk of its first-half profits from selling players.

The pre-tax figure multiplied fourfold to £3.23m (£810,000) in the six months to November 30. More than half the £15.1m (£9.22m) sales came from the disposal of players, including £5.5m for Paul Gascoigne.

The share price, which had shot up from 90p to 113p this week, shed 12p to close at 101p as profits were taken.

With Mr Alan Sugar, chairman, owning 48 per cent, and Mr Terry Venables, chief executive, 23 per cent, not much of the stock trades freely.

Turnover other than player sales fell to £6.9m (£7.35m). Mr

Sugar said there had been fewer home fixtures in the first half and average attendance was down because of the recession. The newly formed Premier League had enhanced television and sponsorship income.

Tottenham cut its bank overdraft to £2.41m, compared with £4.29m in May. Its debts peaked at about £15m in 1991, before a rescue rights issue underwritten by Mr Sugar.

To comply with the Taylor report requirements for all-seater stadiums, Tottenham is about to spend £2m on its North Stand. Second half prospects have been improved by Spurs winning through to the quarter finals of the FA Cup.

Earnings per share rose to 19.2p (8p).

## Woolwich Building Socy turns in rise to £149m

By John Gapper, Banking Correspondent

WOOLWICH Building Society, the fourth largest with assets of £23.3bn, yesterday disclosed a 9.5 per cent rise in pre-tax profits to £149.3m, compared with £136.4m, despite doubling its provisions for possible bad debts in the depressed housing market.

Woolwich made new provisions of £141.7m (£72.4m), raising its total provisions to £207m. About 40 per cent of the rise in provisions was estimated to relate to the Town & Country Building Society, with which it merged last May.

The society achieved a fall in its cost to income ratio to 50.7 per cent (59.3 per cent). Mr John Wrigglesworth, analyst at UBS Phillips & Drew, said he

believed this was the biggest single year fall achieved by a large building society.

Mr Donald Kirkham, chief executive, said about 9 per cent of the society's £41,000 borrowers were in arrears. The number of properties taken into possession fell to 3,364 (3,788). Town & Country added 400 repossessions to its stock.

The society declared an exceptional loss of £17.9m from restructuring costs, and a £6.5m exceptional profit from tax reclaimed from the Inland Revenue after litigation.

The aggregate net losses of the society's subsidiaries were reduced to £24m (£30m). It managed to halve the trading loss in its estate agency subsidiary to £11m after closing 53 branches during the year and making 200 staff redundant.

## Surrey Building rescue plan

By John Gapper, Banking Correspondent

THIS YEAR'S first proposed rescue of a loss-making building society was announced yesterday when the Surrey Building Society unveiled plans to merge with the Northern Rock.

The Surrey said it expected to declare a small pre-tax loss for 1992.

With five branches in the south-east of England, it had been affected by the severe downturn in the housing market. A transfer of engagements to Northern Rock made "a great deal of sense".

The Surrey will offer its 8,900 shareholders a bonus payment of 0.75 per cent gross on completion of the transfer.

The proposal will be put to a special meeting to be held at the same time as its annual meeting in April.

Northern Rock, which has assets of over £6bn compared with the Surrey's £79m, disclosed a 37 per cent rise in pre-tax profits for 1992.

## Owners refutes claims

By Richard Gourlay

OWNERS Abroad yesterday aimed to refute claims made during the hostile bid from rival holiday group, Airtours, ahead of its final defence document which due to be produced today.

Owners said it had not included details of a £8.5m contingent liability with its preliminary results because it was not usual practice to do so.

The liability, in any case, related to the possibility that London properties vacated as part of the reorganisation of the group in Crawley would have to be carried for the full period of their leases.

Owners had taken full provisions of £1.7m for two years, covering rental and other costs up to the time of their anticipated disposal.

Owners said that contrary to what Airtours claimed, it had provided £7.5m for additional payments for the acquisition of Olympic and Extrawelcome holiday companies that might fall due.

DIVIDENDS ANNOUNCED					
	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
British Gas	7.8	July 7	6	14.2	10.25
Flanagan	2.94	Mar 26	2.94	5.88	7.92
Garthmore Value	0.9525	Mar 31	0.9525	1.905	4.275
Green Property	2.64	-	-	2.64	3.8
Honeywell	0.75	-	-	0.75	1
Hotspur Inv	6.8	Mar 25	6.8	6.8	6.8
ICI	34	Apr 29	34	34	35
ICI Tel Quernway	1.96	May 18	1.44	2.2	2.04
London Forth	5.5	Apr 21	5	6.4	7.625
Macro 4	0.27	May 4	5.14	5.41	12.75
Martin Int Green	1.1	Mar 31	1.85	2.95	3.15
Murray Int	3.5	May 24	3.4	6.9	11.4
Murray Int	6.1	Apr 29	10.5	16.6	25
Prov Financial	19.25	Apr 29	10.5	29.75	25
Royal Insurance	3	May 4	11	14	11.25
Shell Transport	12.5	May 17	12	24.5	20.9
Smaller Cos Inv	1.4	Apr 26	2.6	4	2.5
Telegraph	6.5	May 12	-	6.5	-
Transatlantic	6	Apr 29	-	6	-
Usher (Frank) S	2.5	Apr 1	2	4.5	5

Dividends shown pence per share net except where otherwise stated. \*On increased capital. \$USM stock. †Excludes special sp. ‡Irish pence. †Third interim making 2.8575p to date. ‡For 15 months.

**First Bank System, Inc.**  
US\$200,000,000  
Subordinated Floating Rate Notes due 2010

Notice is hereby given that for the interest period 26 February to 28 May 1993 the notes will carry an interest rate of 5.25% per annum and that the interest payable on the relevant interest payment date 28 May 1993 will amount to US\$132.71 per US\$10,000 note and US\$3,317.71 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**Wells Fargo & Company**  
US\$200,000,000  
Floating rate subordinated notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the interest period 26 February 1993 to 31 March 1993 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment date 31 March 1993 will amount to US\$48.13 per US\$10,000 note and US\$12,032.50 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company  
**JPMorgan**

**NORTHERN ROCK BUILDING SOCIETY**  
£100,000,000  
Floating Rate Notes 1994

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 24th February, 1993 to 24th May, 1993 the Notes will bear interest at the rate of 6.375 per cent. per annum. Coupon No. 4 will therefore be payable on 24th May, 1993 at £1,554.45 per coupon from Notes of £100,000 nominal and £155.45 per coupon from Notes of £10,000 nominal.

S.G. Warburg & Co. Ltd.  
Agent Bank

DAF N.V. of Eindhoven, The Netherlands, pursuant to section 9 of the Netherlands Major Holdings in Listed Companies Disclosure Act, hereby gives notice that it has received the following notification: Rover Investments Ltd of International House, Bickenhill Lane, Birmingham, UK, B37 7HQ has sold via the Amsterdam Stock Exchange its entire shareholding in DAF N.V., consisting of 10.94% of the issued share capital.

# British Gas: Working for the future.

**Chairman's statement**

1992 proved a difficult year in which profits fell sharply. The UK gas supply business was badly affected by winter weather, rapidly increasing competition in the contract market and lower margins in the export market. Although higher profits were achieved by Exploration and Production and Overseas Gas Supply, the improvement was insufficient to offset both the decline in our core business and exceptional charges amounting to £322 million. These charges relate to the costs of restructuring our corporate headquarters, reorganising UK Gas Business, both of which are aimed at helping the Company to meet the changing needs of the business, and cost of compliance with recent environmental legislation.

Although planned capital expenditure in the UK gas supply business was cut back during 1992, reflecting the squeezed profitability, nevertheless spending on the business remained at a relatively high level as we continued to invest heavily in our Exploration and Production business. During 1992 management of the South Moravia field was completed, increasing its production capacity by 50%. North Moravia development is underway and is expected to come on stream in autumn 1994. The Central Area Transmission System was completed in early 1992 and opens up access to other gas in the Central North Sea, where we have a major stake. The benefit to the Company of this major investment programme will become evident in 1993 and progressively thereafter.

Overseas we have also been successful in capitalising on our technical expertise in gas supply to develop new business opportunities. In December we successfully completed the operation of Petrogas, Argentina's largest gas distribution company and, more recently, entered into a joint venture agreement with the Gas Authority of India to supply natural gas to Bombay. While we continued to develop the strengths of British Gas, the benefit of our shareholders, we also achieved major benefits for our customers. Gas prices to UK domestic customers were reduced by 10 to 1992 and are now 20% lower in real terms than at the time of privatisation in 1986.

**Independent research also shows that customer satisfaction has reached record levels, although we recognise that further improvement can and will be achieved.**

Looking to the future, we must succeed in seizing every opportunity to shape the Company to meet ever-changing market conditions. However, the twin pressures of the regulatory squeeze and continuing regulatory uncertainty are currently having a significant effect on our operations. It is to be hoped that the outcome of the MMC Inquiry will enable the Company to plan properly for the longer term, and to continue to expand internationally, based on a strong technical and financial base in the UK.

**Dividend**

Finally, I am pleased to announce that, despite the disappointing results, the Board has decided to recommend a final dividend of 7.8 pence, bringing the total for the year to 14.2 pence. This compares with a notional dividend of 13.4 pence last year, following the change in the Company's accounting reference date, and represents an increase of 6%. The maintenance of the Company's policy of increasing dividends in real terms in the future may be significantly influenced by the outcome of the MMC Inquiry.

THE RESULTS AT A GLANCE			
Annual Results (current cost basis)	Year ended 31 Dec 1992	9 months ended 31 Dec 1991 (Q)	Year ended 31 Dec 1991 (Q)
Turnover (£m)	10254	6794	10485
Profit before exceptional charges and taxation (£m)	1158	499	1489
Profit before taxation	846	499	1489
Profit to British Gas Shareholders (£m)	473	279	921
Earnings per ordinary share before exceptional charges	17.0p	9.3p	21.0p
Earnings per ordinary share	11.0p	9.5p	21.0p
Dividend	14.2p	10.25p	13.4p (Q)
Capital expenditure (£m)	2006	1550	1601

1) Statutory comparisons.  
2) Supplementary information to make the accounts as meaningful as possible, following the change in the Company's accounting reference date.  
3) National dividend for the year ended 31 December 1991, following the change in the Company's accounting reference date.

*Robert Evans, Chief Executive*

ROBERT EVANS, CHIEF EXECUTIVE 26 FEBRUARY 1993

**British Gas**



## COMPANY NEWS: UK

# Provident Financial shows 30% advance

By John Gapper, Banking Correspondent

PROVIDENT Financial, the personal loan and consumer finance group, yesterday announced a 30 per cent rise in pre-tax profits for 1992 after a year of extensive restructuring in its main consumer credit business.

The company also announced a 16.6 per cent increase in its final dividend to 19.25p (16.5p), making a total of 38.5p (28p).

It will propose a 5-for-3 split of its 25p ordinary shares at the annual meeting.

Pre-tax profits rose to £44.5m compared with £34.1m. There is an extraordinary loss of £1.9m because of a goodwill writeback of £4.2m on selling its Car Care Plan (Holdings) and People's Motor Finance businesses.

Mr John van Kuffeler, chief executive, said the "excellent" performance was achieved despite unemployment and a lack of consumer confidence. The changes from company

restructuring would produce continuing benefits in the coming year.

He said closure of retail operations and most merchandising activities had been offset by a "significant expansion" in the underlying loan and insurance businesses.

Mr van Kuffeler said the company had been advised to make a share split because the rise in the price of its shares made them more difficult to trade.

Provident's shares yesterday closed up 20p at 794p.

Provident's main business is a £400m portfolio of weekly collected credit.

It offers unsecured loans, the majority to tenants on council estates, on which it charges high rates of interest to compensate for collection costs and risk.

During the year, it closed its Lawson Fisher business offering goods on credit in 14 stores. It also ended the catalogue goods business of its HT Greenwood offshoot and closed a network of warehouses for

retail goods.

It also reduced its network of branches from over 100 to 380 while cutting staff levels. Its force of local loan payment collectors was cut by 1,200 to 4,200.

The insurance division raised profits to £5.4m (£800,000). Its Halifax Insurance operation expanded policy holders by 40 per cent to 400,000 at the year end. It expanded its supporting network of brokers to over 1,000.

The banking division made a profit of £1m (£1.5m loss) partly through cost cutting.

The number of branches was reduced from 13 to 6. The company said there had been "a determined focus" on debt collection in motor finance.

Group turnover increased to £371m (£369m) and profit after tax and before the extraordinary item rose to £30.7m (£24.1m). After deducting £15.1m in paid and proposed dividends, it made a retained profit of £13.7m (£11.1m).

Earnings per share rose to 58.37p (46.68p).

## Warmer weather, loss of market share and lower domestic prices blamed for downturn Overseas side helps stem fall at British Gas

By Deborah Hargreaves

BRITISH Gas saw profits in its core UK business decline by £276m in 1992 as a result of warmer weather, loss of market share and lower prices for the supply of household gas. But this was partly offset by an increase in earnings from the company's overseas divisions.

On 12 month turnover of £10.25bn (£10.48bn) group pre-tax profits came out at £1.05bn, after exceptional charges of £320m, compared with £1.71bn.

Mr Philip Rogerson, British Gas's director of finance, pointed to a strong improvement in fourth quarter profits at the exploration and production division, where income doubled from £60m to £125m, following the increase in production at its South Morecambe bay field in the North Sea.

For the full year, exploration and production, where most revenues come from overseas, increased slightly to £224m compared with £221m.

The overseas gas supply business saw a rise in profits for the year to £137m, against £125m, following an increase in



Cedric Brown, chief executive (left) with Robert Evans (centre) and Philip Rogerson: the overseas divisions provided a welcome contribution and now account for 25 per cent of group profits

sales volumes abroad and a drop in the purchase price of gas. The rise came mainly in the fourth quarter, which accounted for £42m (£33m).

Mr Robert Evans, chairman, said the overseas divisions provided a "welcome contribution," to profits, accounting for roughly 25 per cent of the total.

He hoped the two divisions would provide 60 per cent of profits by the end of the decade.

The profits of the UK gas business fell from £1.5bn to £1.2bn last year. Factors behind the decline were the warmer weather, which accounted for £140m of the

drop; the squeeze on prices as a result of the tough new formula imposed by the regulator, leading to a fall of £50m; and the loss of market share in the industrial market, taking out £70m.

Non-gas costs also increased and pipeline revenues improved.

In the final quarter of 1992, the UK gas business showed a roughly stable profit of £326m, compared with £336m.

Earnings per share were 15.8p for the full year, compared with 17.3p. In the final quarter earnings per share were 5.4p (11.5p).

The company declared a final dividend of 7.8p, which made a total for the year of 14.2p - a rise of some 6 per cent from 10.25p for the previous 12 months.

Mr Rogerson said: "The policy of increasing the dividend in real terms and the ability to maintain it depends to a significant degree on the outcome of the MMC inquiry." British Gas is currently under review by the Monopolies and Mergers Commission.

The company had a net cash outflow of £1.5bn, slightly higher than analysts had forecast. This was chiefly because of heavier tax and dividend payments during the 12 months after changing the reporting period from the tax year to the calendar year.

British Gas's level of gearing rose to 33 per cent from 25 per cent.



## 1992 Group Results

### Summary

ICI Group 1992 profit before exceptional items and taxation was £565m, compared with £789m in 1991, with the decline reflecting the continuing effects of recessionary conditions. In addition, the Group has taken exceptional charges of £949m before tax relating mainly to further planned restructuring activities including disposals and closures, write-downs of certain asset values, a re-assessment of environmental liabilities and the impact of the decision announced to recommend demerger. The Board of Directors has declared a second interim dividend of 34 pence to bring the total for 1992 to 55 pence, the same as in 1991.

	Fourth Quarter 1991*		Year 1991*		Fourth Quarter 1992		Year 1992	
	£m	£m	£m	£m	£m	£m	£m	£m
Turnover	3,046	3,148	12,488	12,061				
Profit before exceptional items and taxation	120	34	789	565				
Exceptional items	20	(931)	54	(949)				
Profit (loss) before taxation	140	(897)	843	(384)				
Earnings per £1 Ordinary Share - before exceptional items	9.5p	2.5p	69.2p	48.8p				
- after exceptional items	11.9p	(125.1p)	76.4p	(79.9p)				
Dividends per £1 Ordinary Share			55.0p	55.0p				

\*Restated in accordance with FRS 3

### Chairman's Comments

In announcing the results, Sir Denys Henderson, Chairman of ICI, commented:

"Today we are making two announcements. The Board of Directors has unanimously recommended that ICI should now proceed to put to its shareholders formal proposals for the demerger of ZENECA. The demerger proposals, which will include a fund raising of approximately £1.3 billion by ZENECA, will, in the absence of unforeseen circumstances, be put to shareholders at an extraordinary general meeting in late May and subject to approval, would take effect shortly thereafter.

We are also announcing our results for 1992. With pre-tax profits before exceptional items down by 28% on 1991, the results reflect the very difficult trading conditions which we encountered throughout 1992. This recession, which has now lasted three years in the UK, has been one of the deepest since the 1930s. Nevertheless, a number of our businesses have put in a robust performance and in a year which was expected to be difficult, the Pharmaceuticals business achieved trading profit approaching £500m. Explosives produced another record result and Paints performance continues to be strong. Included in profits were £290m of benefits arising from the restructuring initiatives undertaken since 1990. These benefits are equivalent to over £350m of savings on an annualised basis and the Group is on target to achieve the £400m annual savings indicated at the start of the programme.

The 1992 pre-tax results include net exceptional charges totalling £949m. The great majority of these items have been charged in the fourth quarter of 1992. The earlier quarters' results have been revised to disclose separately gains and losses of an exceptional nature. This restatement is in accordance with the new Accounting Standard - FRS 3 - which ICI is adopting for its 1992 financial statements.

Much of the exceptional charge is directly attributable to meeting the changes taking place in the chemical industry, exemplified by our decision to proceed with demerger. It has been exacerbated by the recession and has resulted in the need for better focus, reductions in the cost base, write-downs in asset values and withdrawals from businesses through divestments and closures. This, together with increased environmental provisions and the costs of reorganisation, account for most of the exceptional charge. The Board considers the restructuring actions to be essential in order to enhance the future prospects of both ICI and a demerged ZENECA.

Gearing at year end was 39.8% compared to 31.8% in 1991, with the increase due to the recessionary effects on the Group profits, delays in planned divestments and the impact of the exceptional charge.

After careful consideration of the current trading environment and future prospects, the Board has declared a second interim dividend of 34 pence making a total of 55 pence for the year.

While signs of recovery from recession are patchy, lower interest rates, a more competitive pound, low UK inflation, some indications of the US markets picking up plus the major restructuring efforts which we have put in place over the last three years, including those announced today, should ensure a better year ahead for both ICI and ZENECA."

### GROUP PROFIT AND LOSS ACCOUNT: 1992

The trading results of the Group for the year 1992, subject to completion of the audit, together with comparative figures for 1991 are set out below. The figures have been prepared in accordance with Financial Reporting Standard 3 and comparative figures restated.

Year 1991			Year 1992		
Before	Excep-	Total*	Before	Excep-	Total
Exceptional	tion		Exceptional	tion	
Items	Items	£m	Items	Items	£m
12,488	-	12,488	12,061	-	12,061
1,006	-	1,006	735	(664)	71
3	27	30	46	(19)	27
-	16	16	-	(191)	(191)
-	-	-	-	(75)	(75)
-	11	11	-	-	-
(220)	-	(220)	(216)	-	(216)
789	54	843	565	(949)	(384)
(279)	-	(279)	(200)	17	(183)
(19)	(3)	(22)	(17)	14	(3)
491	51	542	348	(918)	(570)
69.2p	7.2p	76.4p	48.8p	(128.7p)	(79.9p)

\*Abridged revised full statutory accounts for the year 1991, together with an unaudited audit report, have been lodged with the Registrar of Companies.

### Full Year - Before Exceptional Items

Group turnover in 1992 was £12,061m compared with £12,488m in 1991. The fall resulted primarily from lower selling prices (-1%) and the impact of divestments (-3%) partly offset by favourable exchange rates (+1%). In the UK, sales were particularly depressed with turnover £350m (14%) below last year's level.

In Pharmaceuticals, trading profits were £494m, down £44m due mainly to the effects of generic competition on 'Tenormin' in the United States, partly offset by higher sales of all other major products including 'Zestril', 'Diprivan' and 'Zoladex'. In Agrochemicals and Seeds, profits declined to £38m due to intense price competition in the United States and reduced volumes throughout Europe, reflecting both concerns over the restructuring of the Common Agricultural Policy and economic difficulties in Eastern Europe.

In the Specialty Chemicals and Materials segment, trading profit at £177m was similar to 1991 with reduced volume and lower prices being offset by the benefits from restructuring. Industrial Chemicals incurred a trading loss of £24m in 1992 compared to a 1991 profit of £135m, with the decline almost entirely due to reduced selling prices and lower volumes in the Chemicals & Polymers business. Tioxide's trading profit was broadly maintained with the benefits from higher volumes and stringent cost control being offset by lower prices. Due to the continuing recession in many countries, Regional Businesses lost £28m compared to a profit of £9m in 1991.

Earnings from associates at £46m were £43m higher than last year's level due to a reduction in the losses of the European Vinyl Corporation (EVC). Whilst the PVC market remained depressed, EVC benefited from lower feedstock prices from its parent companies.

### Fourth Quarter - Before Exceptional Items

Group turnover in the quarter was 3% above 1991 due mainly to favourable exchange rates. Higher turnover in Continental Europe (+11%) and the United States (+5%) was partly offset by reduced sales in the UK.

Pharmaceuticals trading profit at £127m was £31m below 1991 due mainly to different US wholesaler purchasing patterns and the impact of generic competition in the US on 'Tenormin'. Agrochemicals and Seeds results were slightly better than in the prior year with exchange rate benefits offsetting reduced volumes.

Recessionary pressures resulted in lower profits in Specialties and Materials. In Explosives, profits were above last year's level with higher royalty income and improved results in Australia. Industrial Chemicals fourth

### GROUP PROFIT AND LOSS ACCOUNT: FOURTH QUARTER

The trading results of the Group for the fourth quarter 1992, subject to completion of the audit, together with comparative figures for 1991 are set out below. The figures have been prepared in accordance with Financial Reporting Standard 3 and comparative figures restated.

Fourth Quarter 1991			Fourth Quarter 1992		
Before	Excep-	Total	Before	Excep-	Total
Exceptional	tion		Exceptional	tion	
Items	Items	£m	Items	Items	£m
3,046	-	3,046	3,148	-	3,148
173	-	173	66	(621)	(555)
(4)	-	(4)	32	(19)	13
-	9	9	-	(216)	(216)
-	-	-	-	(75)	(75)
-	11	11	-	-	-
(49)	-	(49)	(64)	-	(64)
120	20	140	34	(931)	(897)
(40)	-	(40)	(17)	13	(4)
(12)	(3)	(15)	1	7	8
68	17	85	18	(911)	(893)
9.5p	2.4p	11.9p	2.5p	(127.4p)	(125.1p)

quarter loss increased from £2m in 1991 to £49m in 1992 due primarily to Chemicals & Polymers which suffered from a poorer sales mix and lower prices to external customers and EVC. Tioxide's results were similar in the two periods.

### Taxation

The tax charge for the year was £183m (1991 £279m) representing an effective rate of 35% (1991 35%) on earnings before exceptional items. The effective tax rate on the exceptional items reflects the impact of asset write-offs, tax costs of reorganisation, tax relief on rationalisation costs and a deferred tax provision covering timing differences on UK capital allowances to reflect the expected future tax position of the Group following demerger.

### Dividends for 1992

The Board has declared a second interim dividend of 34 pence per £1 Ordinary Share, which the Annual General Meeting will be asked to confirm as the final dividend for 1992, payable on 29 April 1993 to members on the Register on 25 March 1993. This, together with the first interim dividend of 21 pence, makes a total dividend of 55 pence for the year. Including the imputed tax credit of 18.3 pence this is equivalent to a gross dividend of 73.3 pence for the year.

### Trading Prospects

Although trading conditions in the early part of 1993 continue to be difficult, the Board believes that prospects for the full year are better than for 1992. Cost saving measures which have been underway since 1990, together with the effects of the actions covered by the exceptional items, will have a positive effect on the 1993 results of both ICI and ZENECA.

In addition, the proposed transactions with Du Pont (in relation to fibres and acrylics) and BASF (in relation to polypropylene and acrylics) are expected, subject to receipt of regulatory approvals, to be completed during the second or third quarters with a beneficial effect on ICI results.

### 1992 Annual Report

The company's Annual Report will be available at the company's registered office from 11 March 1993 and copies will be despatched to shareholders shortly thereafter.

### Next Announcement

Trading results for the first quarter of 1993 will be announced on Thursday 29 April 1993.

IMPERIAL CHEMICAL INDUSTRIES PLC



# THE PROPERTY MARKET

## The Iranian connection

**R**otch properties, the investment vehicle of the Iranian Tchengiz family, is one of the lesser-known property buyers to have emerged in the past three years of recession.

Rotch, which is 50 per cent owned by Wyn-Ro Properties, is bought more than £100m in the past 18 months, taking its portfolio to about £400m. It says it will sign another £40m of deals in the next few weeks. "We think this is the best buying opportunity for 20 years," says Adrian Gidsmith, a Rotch executive.

Rotch, which is ultimately owned by family-owned company incorporated in Panama, is run by two Tchengiz brothers, Vincent and Robert, both in their 30s. Vincent, who used to work at Prudential, describes himself as a financier, Robert is the deal-maker.

They started Rotch in 1982 with the help of a bank guarantee from their father, Vincent Tchengiz, a wealthy property owner who fled Iran after the Shah's downfall in 1979. Their first purchase was a £50,000 flat in Marble Arch, London. They concentrated on residential development until 1985 when they bought an option on an old biscuit warehouse in Hamersmith, west London. Together with Scottish Amicable, they built a £25,000 sq ft office development, known as Wilson Plaza.

From 1988, they switched the emphasis to investment.

### Vanessa Houlder on a duo making its mark in London

Their biggest deal was the acquisition of Sea Containers House, a 420,000 sq ft building on London's south bank. This building and several others were later absorbed by Wyn-Ro, a company Rotch set up with Allied Lyons Pension Fund in 1989.

For a low-profile company, Rotch has demonstrated a taste for some high-profile deals.

Their most conspicuous and (for the moment) the least successful deal was the acquisition in mid-1987 of South Quay Plaza 3, a £10,000 sq ft building on the water front in London's Docklands.

Wyn-Ro paid the receivers £37m, but secured a three-year rental guarantee from the banks.

Rotch dismised the Docklands market by offering South Quay Plaza 3 to tenants at the (then) knock-down price of £10 a sq ft. The acquisition, which is still unsold, is described as "a mistake" by Vincent Tchengiz.

His brother, however, defends it as "the best building in the Docklands outside Canary Wharf. We are still keen on the Docklands," he says.

Another prominent and probably more successful deal was the acquisition of Lunar and Apollo House, a government-

occupied building in Croydon for £46m, equivalent to a yield of 11 per cent. MEPC's decision to sell the building (on the grounds it had no growth potential) provoked criticism from Mr Harry Evans, a large MEPC shareholder who thought the building had been sold for a bargain.

Rotch has also bought a string of smaller buildings in the past 18 months, in places as diverse as Dover, St Pancras, Brighton, Harrow, Plymouth, Liverpool, Birmingham and Barry, south Wales.

The aim of these acquisitions was to buy high-yielding property to let to blue-chip tenants, the rental income of which would cover the debt.

Tax factors also played a big part in these deals. Rotch believes that the tax benefits associated with the depreciation of plant and machinery are often undervalued.

The twin constraints on Rotch's acquisition programme are the difficulty of finding the right buildings and obtaining finance. "If the product and source of funds were there we would do another £100m of deals," says Vincent Tchengiz.

The company's principle banker is Sanwa; GE Capital

and Norwich Union have also been prominent sources of long-term funds. Rotch would like to attract more institutional funding.

"We are looking to refinance our borrowings through institutions rather than banks," says Vincent Tchengiz. He would also like to raise some equity from the institutions and plans to seek a stock market listing in a couple of years.

Rotch borrows up to 100 per cent of the cost of its acquisitions, but it is unconcerned about the high level of debt it is amassing. "We are not worried about our gearing. You could be 200 per cent geared provided you have cash flow to support your debt," says Robert Tchengiz.

But Rotch's high gearing has resulted in the shrinkage of its net asset value during the steep downturn in the property market over the past few years. The combined net asset value of Rotch and Wyn-Ro was £145m in the year to May 1991. The Tchengiz brothers say it has now fallen to £42m.

This valuation of its portfolio underestimates the true value of the buildings' income streams in the view of Vincent Tchengiz, who is a critical of UK valuation techniques. He believes that once the current phase of forced sales is over, property yields could fall by between 30-40 per cent.

Property has lurched from a period of being over-valued to a period of being under-valued, he says. "Every period of exaggeration is followed by another period of exaggeration."

Offices and industrial showed a relative improvement in their monthly returns of four and five basis points respectively, while those for the retail sector remained static, at 0.2 per cent.

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## JOB: Although emotions affect people's performance, no one knows much about how they work

**D**O you happen to be bored out of your skull? If so, then although the Jobs column will make every effort, perking you up is likely to prove a struggle. The reasons, if we are to believe German researchers Reinhard Pekrun and Michael Frese, are twofold.

The first is what's technically called mood-congruence. Memory tests show that people in a happy mood tend to be best at recalling happy things, and sad folk sad ones. So presumably anyone who starts out bored will be mentally predisposed to find anything that happens more wearisome still.

The second reason why you'll probably resist my struggles is that the very topic of boredom is boring, even to psychologists. Although there is clearly a lot of it around in the workplace and elsewhere, hardly any of them have bothered to study it.

Still, such research as they've done is not without surprises. For example, while it seems tedious obvious that people in crassly monotonous jobs will function like zombies, that is not always so. On occasion, they are almost super-humanly productive.

A possible explanation is that deadly tasks sometimes go beyond merely boring us into a stupor,

and good us into exasperated action. Sharinks have now noted the difference in their jargon. They use the term "boredom" only for the stupefying kind, calling the energising sort "satisfaction - a state of high arousal with a strong negative emotional content of resentment...."

Alas, whether you're satiated or just bored, the mood tends to persist. In particular, it has more sticking-power than the "positive emotions" like happiness that can slip away like wet soap in a bath.

Even they produce the odd surprise in a work setting, the German pair say. Take decision-making for instance. Although positive emotion "seems to enhance an intuitive and holistic mode of thinking", it "can induce risk-aversion for higher risks" even while promoting a happy-go-lucky approach to lighter risks.

By contrast, sadness apparently "induces more analytic, detail-oriented, narrowly focused ways

of cognitive problem-solving and making decisions."

Yet when it comes to helping colleagues and customers, the opposite moods tend to have the same effect. If either happy or sad, compared with feeling some emotion between, we're more apt to help. Either way, too, the motive may be selfish: helping in hope of hanging on to slippery happiness on the one hand, or on the other in the hope of earning relief from our own sad mood.

Perhaps fortunately, however, that isn't sure. For the two Germans' prime finding is that what goes for boredom applies to emotions in general. Although they clearly have a marked effect on our work, they have been very little studied. Hence I'll return to them occasionally in weeks to come - unless readers would find it too boring, that is.

**N**OW to the table alongside giving extracts from Day Associates' latest three-monthly survey of pay and perks in City of London banks. Anyone wanting the full report - covering 283 jobs

in 128 banks of various sorts and priced at £225 to those not taking part in the study - should contact Joe Clark at Suite 2.31, 75 Whitechapel Rd, London E1 1DU; tel (0)71-375 1387, fax 375 1723. Limited to 18 managerial posts, the table starts with basic

salaries. The lower quartile refers to the person a quarter way up from the foot of a ranking of all in the same type of job, the median to the person half way, and the upper quartile to the one a quarter way down from the top. Next comes the average salary,

then the percentage of it typically received as a bonus. The last two columns show the percentage of the job-holders with cars, as distinct from car allowances which look to be coming into vogue, followed by the vehicle's average price.

Position	Lower quartile	Median salary	Upper quartile	Average salary	Avg bonus %	Coy car %	Avg price of car
Corporate finance head	95,000	104,250	133,745	122,678	22.8	63	24,310
Capital markets head	102,500	117,500	120,000	110,940	58.4	89	24,008
Fund management director	102,500	116,750	119,250	110,975	41.4	83	21,453
Eurobond trading head	85,000	97,500	130,000	100,158	81.9	80	19,115
Equity trading head	72,500	92,750	115,000	93,417	4.3	50	18,489
Bond sales head	78,000	90,000	100,000	87,743	23.2	81	18,072
Head of research	82,350	86,980	88,000	84,478	18.3	100	20,483
Private banking head	62,054	73,750	100,000	82,900	16.5	88	21,563
Chief fx dealer	62,000	81,000	85,600	79,251	19.1	86	17,717
Personnel director	60,000	72,405	81,900	76,826	18.5	100	18,167
Financial director	62,500	67,500	72,000	72,411	11.8	82	18,886
Money markets head	56,000	64,520	80,000	68,965	31.2	90	17,702
Legal services head	54,400	62,000	80,448	64,131	34.8	80	18,504
D-P director	52,000	58,000	80,780	57,790	9.6	86	18,323
Credit manager	36,000	40,001	43,005	40,280	7.7	70	16,032
Customer services head	24,150	27,980	34,750	28,836	8.8	50	12,606

\*Average inflated by one generous salary among the sample of 1.

**F**INALLY told - a rare job offered by Paul Child of Kramer setfield for a UK group he may not name. He promises to honor applicants' requests not to be identified to the employer at this stage.

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## ACCOUNTANCY COLUMN

## Local authorities called to account in an age of competitive tendering

Andrew Jack on the new regime for public sector balance sheets

THE CHARTERED Institute of Public Finance and Accountancy may not bark often. But its new proposals for capital accounting by local authorities show that when it barks, it roars. And when it roars, it reveals sharp teeth.

Public sector treasurers and finance officials can expect a few sleepless nights ahead as they prepare for compliance with Cipa's recommendations, which are likely to be in force for the 1994-95 financial year and which all will have to obey.

For the first time, local authorities will have to compile registers of fixed assets such as schools and equipment. Most will have to be shown on their balance sheets at current cost and regularly revalued. Depreciation charges will then be charged in their accounts based on these amounts.

Surprising though it may seem, local authorities have never been required to show fixed assets in their accounts in the past. The emphasis has been on showing outstanding borrowings or assets which were externally financed. Assets financed from internal resources or which are paid for have not been shown.

"Charges at the moment are inconsistent and arbitrary," says Mr Martin Evans, head of Cipa's technical division. "The balance sheet is meaningless. At the moment you are comparing chalk and cheese."

The debate about capital accounting extends as far back as the existence of local authorities themselves. Municipal

corporations at the turn of the century were debating the inclusion of depreciation of assets in their accounts rather than focusing simply on loan repayments.

But central government was always most concerned with controlling the amount of capital expenditure, says Mr Evans. That was reflected in its primary aim: to control the amount of borrowing. Local authority accounting developed accordingly, emphasising how assets were financed, not what they were or how they were used.

He argues that this was the result of a concern to restrict the level of borrowing and enforce repayment of any funds by local authorities - not a concern always shared by national government either in the UK or elsewhere around the world.

That has begun to change, with capital accounting now in place in the National Health Service and required by Direct Service Organisations running local authority services as a result of competitive tendering.

For the public sector in general, the most radical changes in accounting have only really happened in the last 15 years. Few have been as fundamental as this week's proposals, for which the immediate ground-

work was laid nearly 10 years ago after a succession of previous reports which were issued and largely ignored.

Shortly after the Conservative government's election in 1979, Mr Michael Heseltine, the environment secretary, told a House of Commons select committee that the quality of public sector accounting was "abysmal".

He began an assault on accounting and auditing which led to the creation of the Audit Commission, the National Audit Office and the Financial Management Initiative, designed to improve accountability in central government.

The 1980 local government land and planning act required authorities to issue annual reports for the first time. But when the first reports came in, they only made clear to officials how impossible it was to compare the different figures.

By 1985, the government was threatening to impose detailed new accounting regulations. In the face of strong opposition, it allowed the Audit Commission and Cipa to draft a code of practice, which was endorsed by the Accounting Standards Committee in 1987.

But Mr Evans says the guidelines essentially represented a codification of existing best practice rather than any significant change. Most important, it did not cover capital accounting - a problem identified in a letter to Cipa from Mr Nicholas Ridley, the environment secretary at the time.

"We took the letter seriously," says Mr Evans. "Perhaps we should not have done so." A joint Cipa and local authority working group studied the issue yet again, and came up with recommendations in 1990.

Its proposals included showing fixed assets on the balance sheet at current costs, with regular revaluations at least every five years. The result, says Mr Evans, was that "all hell broke loose." Local authorities expressed concern over the costs, practicality and timing of the guidelines. But few could criticise the technicalities of its recommendations. Their primary concern was the difficulty and costs involved in changing their accounting systems, and paying for regular revaluations of fixed assets.

As a result, the threat of change was again prolonged. Cipa ran a pilot programme in Solihull metropolitan borough council to study the potential impact of the new proposals, as well as smaller field tests in

Croydon and Bury St Edmunds. The results were staggering.

Solihull had previously shown fixed assets in its balance sheet of £117m. Under the proposed system, these rose more than five-fold to £588m. Yet at the same time, the costs and time involved in implementation were not that significant - a total of 241 staff days.

That was possible partly because much of the information on assets was already available although over before collected centrally. The council also did not attempt to identify every last immaterial asset, and was able to apply standardised valuation procedures without the need to separately value each one.

Cipa will not release the costs incurred by Solihull, but estimates that the total one-off charges for changing to the new system will be £5m for England and Wales, and a further £1m for local authorities across Scotland. There would then be about £1m across the UK each year for revaluations.

The relatively minor difficulties identified seem to stand in stark contrast to the costs experienced by implementation at short notice of the same accounting treatment by the National Health Service, partly

incurred by its efforts to attempt to track down assets even with very low values.

After the consultation period closes in April, it is likely that Cipa's guidelines - which have mandatory status - will be on schedule to be implemented from next year. But many might question the relevance of the changes.

"We think getting accounts right is important," says Mr Evans. "Accountability is at the heart of the public sector. Authorities should be demonstrating not just stewardship of assets but also how they are used."

Most important, he stresses that inclusion of assets and a depreciation charge against them will improve the quality of management.

"If you don't have to pay for assets you are not going to worry about how you use them," he says. "This will highlight the real costs of services. It brings local authorities as close into line with private sector practice as we can get."

The principal differences now between public and private sector will prove more difficult to change, since they are products of legislation restricting local authority accounting. These include the treatment of the housing revenue account.

Whether or not it was part of the reason for the change, the move to capital accounting will certainly aid comparisons in the move towards compulsory competitive tendering by local authorities. It may also allow a few more readers to make sense of the accounts for the first time.

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Group Finance Director  
The Financial Times Limited  
Number One Southwark Bridge  
London SE1 9HL

No Agencies

Financial Controller  
£30K Swindon

Experience of Public/Private sector finance policy and accounting is desirable.

Telephone: 0793 413373  
for further details.

Closing date: 5 March 1993.



Agricultural &amp; Food Research Council

## GROUP TAXATION MANAGER

CENTRAL LONDON

UP TO £70,000 + EXECUTIVE BENEFITS

As a leading international organisation providing specialised advanced technology systems and services to major world markets our client enjoys a commanding position. Its products and services are without rival in one of the world's most demanding market places.

Based within the worldwide financial headquarters in London, an opening has arisen for a Group Taxation Manager. Reporting to the Director of Corporate Finance this high-profile position will assume the following responsibilities:

- Minimising and analysing the Group tax position in conjunction with tax departments in both Europe and the USA, for which he/she will be responsible
- Developing and initiating worldwide tax planning policies in line with business and corporate objectives
- Maintaining a key advisory role to senior management on acquisitions and disposals as well as replacing external consultants wherever feasible.

The successful candidate will possess a sound technical knowledge of European and US taxes as well as the drive and initiative to lead a worldwide tax function and undertake projects with substantial tax exposure.

To discuss this exceptional opportunity further, contact Graham King on 071 379 3333 or 071 226 4557 (evenings or weekends) or send a detailed CV to him at Robert Walters Associates, 25 Bedford Street, London WC2E 9BP (Fax 071 915 8714).

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR BIRMINGHAM BRUSSELS AMSTERDAM PARIS

## Management Accountant

Combining technological research & development with the management of long-term projects and contracts, my client provides specialist services that are vital to the operation of their customers' industries. For the Finance function, the emphasis is on effective cost control based on meaningful, accurate and timely financial information.

Your brief is to lead a small team in a role that will make a real impact on the success of the business. Not only reporting expenditure and variances, you will identify emerging trends and, if necessary, put forward suggestions for appropriate action. Planning and budget monitoring over long timescales means using financial models to predict the effect of current developments on future plans. Confidence, strong communication skills and personal credibility will enable you to quickly establish effective working relationships at all levels in the company.

A 28-34 year old graduate and professionally qualified, your technical expertise will be matched by proven interpersonal skills. Your experience will have been gained in a constantly changing, project-orientated environment (such as scientific research, technology R & D, or Contracting) where controlling costs and commercial success are synonymous. Computer literacy is essential, as you will be developing practical, PC based tools for modelling and forecasting.

The breadth of exposure and opportunities for career progression are normally found only in much larger organisations; the excellent reward package includes full relocation assistance. Take the first step by sending a comprehensive CV (including remuneration details) to Andrew Burke, Macmillan Davies, Colston Centre, Colston Street, Bristol BS1 4UX. Tel: (0272) 251351.

Far more  
than just reporting

Oxfordshire

c. £30,000 plus car  
& benefits

Macmillan Davies

Group Financial  
Controller

South East

c. £60,000 + Car

Our client is a highly successful and profitable plc, and is one of the UK's top 200 companies. It is entering a period of considerable change and as an integral part of this development, a Group Financial Controller is required. The Group Financial Controller will report to the Group Finance Director and be closely involved in the de-centralisation of the finance function including the implementation and development of group reporting. Responsibilities will also include the preparation of statutory accounts, financial policies, and the provision of sound technical advice to the group's businesses. Close liaison with other financial managers will be important, in particular, the Divisional Finance Directors.

Candidates will be qualified accountants, aged 35-45, experienced in managing change with a successful record of financial management within large well controlled groups. Experience of co-ordinating and consolidating reporting to tight deadlines within a major plc environment is essential. High levels of professionalism, technical competence and communication skills are vital as are commitment to make a positive contribution to the development of the group.

Please write enclosing full Curriculum Vitae quoting ref 617 to: Philip Cartwright FCMA, Riverbank House, Putney Bridge Approach, London SW6 3JD. Tel: 071 371 9191. Fax: 071 371 9478

CARTWRIGHT CONSULTING  
FINANCIAL SELECTION & SEARCH

## Financial Director

West Midlands

£neg. + car + benefits

A highly successful, major computer services company seeks a dynamic professional to control, and direct the Group financial function, and to contribute to the Company's continuing development and growth.

Reporting to the Chief Executive you will actively contribute to Group wide strategic and operational decisions, to include acquisitions. With responsibility for Group Treasury, Group Consolidations, Taxation and statutory matters you will also take full responsibility for multi-subsidary finance functions. Through the utilisation of computerised systems you will maintain rigorous financial and business controls.

FCA qualified and ideally in your mid to late

thirties you will have proven your ability in a sales-driven, competitive organisation and have a strong commercial bias. Computer literate with IT strategy experience in an FMCG or distribution environment, a disciplined, logical, organised approach will ensure you have the stature and personal intellect required to inspire confidence at all levels.

If you live within acceptable commuting distance of South Birmingham, and can provide the professional impetus sought, please send a full CV to our recruitment advisor: Neil Robertson, (Ref: 40009), MSL Group Limited, Quadrant Court, 50 Calthorpe Road, Edgbaston, Birmingham B15 1TH. Please list on a separate sheet any companies to which your details should not be sent.

MSL International  
CONSULTANTS IN SEARCH AND SELECTION

## OIL AND GAS ACCOUNTING

Team leadership opportunity for an ambitious  
young accountant with an international energy company.

The company is an independent energy group with a well-established UK operation, based in London. Plans for future growth will increase the company's interests in the North Sea.

Reporting to the Accounting Manager, you will provide leadership to a team responsible for all aspects of joint venture accounting.

To be a candidate, you will be an ACA with two years post-qualification experience or will have other accountancy qualifications and first hand knowledge of oil and gas accounting. You will demonstrate strong managerial and communication skills and must be prepared to adopt a hands on

approach. The ability to work as part of a management team and adapt to changing circumstances is essential.

There are likely to be opportunities for future progression to a higher management appointment. The salary and benefits package is attractive and includes a company car.

To apply in confidence, please send your CV to: Tony Tucker, SMCL Oil & Gas Ltd, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP. Tel: 071-222 7733/Fax: 071-222 3445.





## FINANCE DIRECTOR

Thames Valley based c£35,000 pa + benefits

Our client has an international reputation, built over many years, for supplying top quality consumer durables. A revitalisation of their long term strategy aimed at capitalising on new product, market and overall business opportunities, has created an exciting opportunity for a seasoned Finance Director who is keen to contribute at both the strategic and operational level.

A diverse and challenging range of responsibilities involve:

- Planning for the sustained growth of branded goods
- Determination of effective pricing policies
- Evaluation of business development opportunities
- A major expansion of IT systems

A formal relevant qualification should be supported by at least five years experience in a senior role within a manufacturing or distribution environment. Proven success in influencing business policy within a management team, well defined planning and strategic skills and sound commercial judgement are all considered to be essential. A high level of computer literacy and a sound knowledge of the direction, development and use of IT systems are necessary together with proven expertise in man management skills. Candidates must possess the ability to operate as a key element in a multi-disciplinary management team.

Salary level is likely to be around £35,000 pa and is offered together with a progressive range of benefits which include a company car.

If you feel you can quickly make a contribution to an organisation committed to growth, please send a comprehensive cv to:

Andrew Millhouse, Director,  
The Scott Edgar Advertising Partnership Ltd,  
Paragon House, 75 Farringdon Road, London EC1M 3JY.  
Tel: 071-831 2981.

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## MIDLANDS OPPORTUNITIES

### East Midlands

FD to 35k + Car (FX)  
ACA with 3 years min PQE gained in industry required for successful sub. of PLC. Must be commercial. Excellent prospects.

### West Midlands

Divisional A/C to 30k + Car (FX)  
Ambitious commercial ACA with 'hard nose' business acumen required for division of acquisitive PLC. Excellent prospects to F.D.

CVs to Andrew Grant  
Nicholas Andrews  
126 Colmore Row,  
Birmingham B3 3AP

## APPOINTMENTS ADVERTISING

appears every Wednesday & Thursday & Friday (International edition only)  
For further information please call:  
Andrew Skarzynski  
on 071-873 3607  
Mark Hall-Smith on 071-873 3351  
Tricia Strong on 071-873 3199  
JoAnn Gredell  
New York  
212 732 4500

## Finance Director - Plc

### Business to Business Services

To £50,000 + package

Thames Valley

Imminent flotation necessitates appointment of top calibre FD to manage City/Investor relations and contribute to commercial strategy.

#### THE COMPANY

- ◆ Well run, profitable. Turnover £35m, c.2,000 employees.
- ◆ Consistent growth record both organic and by acquisition. Poised for flotation in June 1993.
- ◆ Expanding national and international business networks.

#### THE POSITION

- ◆ New appointment. Member of small executive team responsible for strategy formulation.
- ◆ Key task to manage external City/Investor relationships during and post-flotation.

- ◆ Responsible for Finance, MIS and administration: team of 30.

#### QUALIFICATIONS

- ◆ Qualified, graduate calibre accountant aged 35-45.
- ◆ FIC experience and knowledge of the City essential.
- ◆ Pragmatic self-starter, capable of contributing strongly to the strategic and on-going development of the business.

Please reply in writing, enclosing full cv, Reference SM0871  
7 Shaftesbury Court, Chalfont Park,  
Slough, SL1 2ER

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London & Edinburgh Insurance Group

## Finance Manager

Worthing, West Sussex

c £35,000 + Car

Our client, London & Edinburgh Insurance Group, is a major player in the UK General Business Insurance Market and places reinsurance cover in national and international markets. Added support and strength comes from their immediate parent, ITT Hartford (one of the USA's largest insurance groups) and their ultimate parent, the ITT Corporation. An enviable reputation for security, continuity, innovation and high quality products and services is well deserved.

A new management position has recently been created in the Outwards Reinsurance Division. Principal duties include:

- Supervision of the administration and processing for all the Group's Outwards Reinsurance Programmes.
- Analytical review of the financial strength of reinsurers used by the Group.
- Managing the run-off of Paris and Madrid business.
- Cultivating and maintaining strong working relationships with Operating Divisional Management and Senior Personnel at brokers and reinsurers.
- Supervision of eight staff.

Reporting to the Divisional Manager, successful applicants must effectively combine the key attributes of leadership, team building, strong analytical and systems skills, and, above all, the resourcefulness to cope with change.

The ideal applicant will be an ACA with at least five years post qualification experience in the Insurance or Reinsurance industry. Language skills would be an advantage, but are not essential.

Apart from the comprehensive remuneration and benefits package (including relocation where appropriate), on offer is the opportunity to join a company where career progression and reward is not bound by convention, but based on merit, ability and innovation.

Interested applicants should write to:  
Kenneth Hayes BA ACA at Michael Page Finance,  
Cynnet House, 45-47 High Street,  
Leatherhead, Surrey KT22 8AG.  
Please quote ref: 109.

**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow & Worldwide

## Financial Controller

North West

c £30,000 + Car

Our client is a successful division of a blue chip plc in the electronic and electrical engineering industry. They occupy an enviable position within their chosen marketplace and are well placed to take advantage of opportunities for growth.

They seek to strengthen their current management team through the appointment of a high calibre Financial Controller for their unit located in Greater Manchester.

Reporting to the General Manager and functionally to the Financial Director based in London, you will be a key member of the local management team.

You will assume total responsibility for the financial management of the unit and will be

expected to contribute significantly to the implementation and enhancement of inventory control and planning systems.

Candidates, aged 28-35, will be qualified accountants who can demonstrate significant achievements within a manufacturing/project environment. In addition, you will need to demonstrate well developed interpersonal skills coupled with the confidence and maturity to make an impact at a senior level within the organisation.

Interested applicants should send a curriculum vitae to Stephen Banks ACMA, at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote ref: M14769.

**Michael Page Finance**

Specialists in Financial Recruitment  
London Bristol Windsor St Albans Leatherhead Birmingham  
Nottingham Manchester Leeds Glasgow & Worldwide

## INTERNAL AUDIT MANAGER

Northern Home Counties

to £50,000 plus car

In the last 20 years our clients have built a £1 bn multi-location Group by committing themselves to standards of excellence in business practice and customer service. The value of these concepts has been confirmed in the present harsh economic climate and the Group remains cash-rich and very profitable. However the continuation of this success demands on-going and rigorous analysis of the business to identify internal areas of risk and vulnerability and to ensure that adequate controls are in place and being properly implemented. An Internal Audit Manager is now to be appointed to manage this process with a qualified/experienced staff of 3/4. He or she will report to the Group Finance Director but will be expected to adopt a proactive approach providing guidance to the Audit Committee of non-executive directors and to the main and subsidiary boards. The directors and senior management are a well-established, close-knit team and to contribute constructively in this

environment the person appointed will need to satisfy demanding criteria. The culture is one of professionalism rather than 'instinct' and of teamwork rather than autocracy. The management style is informal. In addition to a personality 'fit' the person appointed will be professionally qualified and able to demonstrate first class technical skill in the design and operation of cost effective control systems in a fast-moving, customer-responsive environment. This exposure will have come either from a comparable role in commerce/industry or from recent experience as an Audit Manager in a substantial Big 6 office. The Group's ambitious plans and record of achievement should provide significant career opportunities. Preferred age is 35 - 45. Ref: 1738/FT. Send CV (with current salary and daytime telephone number) or write or phone for an application form to R. A. Phillips ACIS, 2 - 5 Old Bond Street, London W1X 3TB. Tel: 071 493 0156 (24 hours).

**Phillips & Carpenter**

Selection Consultants

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FINANCIAL  
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INVITE  
YOU TO A  
FREE  
BUSINESS  
BREAKFAST

If you wish to attend any of the free Business Breakfasts, please write to your local office stating your company and job title.

Birmingham: Alison Hann at Robert Half, 69 Temple Row, Birmingham B2 3LS. Telephone: 021-649 1663.

Bristol: Jackie Brunning at Robert Half, 33 Wine Street, Bristol BS1 2BQ. Telephone: 0272 22872.

Manchester: Elaine Dooley at Robert Half, Brook House, Spring Gardens, Manchester M2 2BQ. Telephone: 061-236 0101.

Southampton: Sue Jenkins at Robert Half, 6 The Carronades, New Road, Southampton SO2 0AA. Telephone: 0703 23931.

London: Rachelle Nelson at Robert Half, Walter House, 48 The Strand, London WC2R 0PT. Telephone: 071-836 3945.

Surrey: Saraan Platt at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1EH. Telephone: 0753 857771.

**ROBERT  
HALF**  
accountemps  
THE HUMAN FACTOR

## SPREADSHEETS: The Next Generation

In Birmingham on Tuesday 16th March 1993 at The Birmingham Botanical Gardens, Westbourne Road, Birmingham 8.00am - 9.5am

In Bristol on Thursday 18th March 1993 at The Grand Hotel, Broad Street, Bristol 8.5am - 9.30am

In Manchester on Tuesday 23rd March 1993 at The Ramada Renaissance Hotel, Blackfriars Street, Manchester 8.00am - 9.30am

In Southampton on Thursday 25th March 1993 at The Novotel, 1 West Quay Road, Southampton 8.5am - 9.30am

In London on Tuesday 6th April 1993 at The London Marriott Hotel, Grosvenor Square W1 8AA - 9.30am

In Surrey on Wednesday 7th April 1993 at The Rymymede Hotel, Windsor Road, Egham, Surrey 8.5am - 9.30am

Spreadsheets have come a long way in the last 10 years. The most significant development is the type of problem users are trying to solve with spreadsheets. Initially restricted to ad-hoc projects, the use of spreadsheets has now developed into more periodic work such as monthly or weekly reports, planning, re-forecasts and market share analysis.

Spreadsheet expert Neil Hudspeth, European Brand Manager at Lotus Development Europe, looks at ten years of spreadsheet milestones and discusses why the change in the use of the spreadsheet has dictated the need to re-invent it.

Lotus retains its place in the forefront of spreadsheet development. The Lotus 123 has been the world's best selling software package for over a decade. Hudspeth reviews state-of-the-art Lotus Improv - the reinvented spreadsheet - and highlights how it benefits today's Finance Manager.

Neil Hudspeth will cover the following:

- Spreadsheet advances over 10 years
- Multipage spreadsheets
- Data access
- WYSIWYG
- Windows

- The need for a radically different spreadsheet explained.
- Problems of viewing same data in different ways
- Amending spreadsheets
- Errors in spreadsheets
- An introduction to Lotus Improv
- How it differs from traditional spreadsheets - dynamic views, multidimensional structure, item groups
- How it benefits the Finance Manager - easy presentation, fewer errors, more value
- Who should use it?
- Does it replace Lotus 123?

Neil Hudspeth has over 10 years' experience in bringing the benefits of information technology to business managers and professionals. He has held a number of positions at Lotus including U.K. Product Manager for graphical spreadsheets and for cross platform spreadsheets.

Before joining Lotus, he held the position of Marketing Manager at Digital Equipment U.K. where he established a focus on solutions for the accounting function. Previous positions include marketing and professional services roles at Comshare Ltd where he installed a number of budgeting, planning and reporting systems for blue chip organisations.

Places at the breakfast are strictly limited.



**GROUP FINANCE DIRECTOR**

Location: East Midlands c £45,000 + Car &amp; Benefits

Hall & Tawse Group is one of the UK's top twenty construction groups, operating through 11 subsidiary companies within the UK. Hall & Tawse benefits from the financial stability of its parent company, Raine plc, which employs 3,000 people and has turnover in excess of £360 million. This is an excellent opportunity to join a Group which is well respected within its industry.

**The Role**

- \* Responsible to the Managing Director of Hall & Tawse Group for the financial management of the group. Key role in the achievement of corporate objectives.
- \* Full participation in the strategic development of the Group including acquisitions and disposals.

**The Qualifications**

- \* Qualified Accountant, 35 to 45, with broad construction related experience and a proven record of success at director level.

Please reply, enclosing full C.V. to:  
Mr J W Barr  
Head of Group Finance  
Raine plc, Raine House  
Ashbourne Road, Macclesfield  
Derby DE22 4NB

A subsidiary of Raine plc

**HALL & TAWSE****Financial Controller***Unusual opportunity to head the Finance function of consumer goods company*

To £40,000 + Car + Benefits

**Midlands**

Our client is the major operating company of a leading global conglomerate, with a turnover of £1.7 billion. The company, which has offices throughout Europe, manufactures and distributes a range of products for consumer and commercial markets. The UK subsidiary has enjoyed substantial growth and success over the past three years.

Reporting direct to the UK Managing Director and heading a small team, the Financial Controller will have a genuinely broad-ranging role, encompassing all aspects of the finance function and related areas, including sales administration and stock control. As a key member of the management team, the appointee will be expected to play a major part in the efficient running of the company.

Qualified accountants in their thirties, candidates must have a minimum of three years' post-qualification experience in an industrial or commercial environment. We are looking for the unusual combination of a hands-on approach and attention to detail, with the ability to "see the big picture" and make a major contribution at a senior level. Strong interpersonal skills and an international outlook will also be necessary qualities.

Interested applicants should send a detailed CV to the address below, quoting reference number 174J and providing details of current remuneration.



SEARCH & SELECTION  
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB.  
A GKRS Group Company

**CORPORATE FINANCE****LEADING INTERNATIONAL INVESTMENT BANK**

Our client is one of Europe's leading international investment banking and asset management groups. The Group's pre-eminent position in UK and international corporate finance activity is founded on a highly successful and professional team approach and on a first-class domestic and international client list.

We are looking to recruit a number of young executives of the highest calibre, who can rapidly become effective members of our client's highly motivated advisory team, based in London.

Successful applicants, aged 23-28, are likely to include:

- Recently qualified chartered accountants with an excellent academic and professional record, including first time passes in all accountancy examinations
- Recently qualified solicitors
- MBA's, Strategic Management Consultants or other professionals with relevant experience

**ROBERT WALTERS ASSOCIATES**

LONDON WINDSOR BIRMINGHAM BRUSSELS AMSTERDAM PARIS

**ROYAL OPERA HOUSE****DIRECTOR OF FINANCE AND RESOURCES**

The Royal Opera House is to make a key appointment at Main Board Level.

Answering to the General Director, the successful candidate will take charge of financial and resource planning for The Royal Opera House and its member companies, developing and maintaining a comprehensive financial strategy, supervising systems to control expenditure and costs, and working to promote efficiency and economy throughout the House.

Candidates should be able to demonstrate a record of successful finance management in a major organisation, and the aptitude to take on a broader range of responsibilities.

The position requires the talents of a qualified accountant, highly motivated, experienced in computer systems, who works well under pressure, and can build good working relationships with creatives and managers from different disciplines. A feeling for the arts and an understanding of the artistic process will be distinct advantages.

Salary by negotiation. Please send a letter of application and a full CV, to arrive by 15 March 1993, to: Jeremy Isaacs, General Director, The Royal Opera House, Covent Garden, London WC2E 9LL.

THE ROYAL OPERA HOUSE IS AN EQUAL OPPORTUNITIES EMPLOYER

**PRIORITY SERVICES UNIT**

We are an equal opportunities employer and encourage flexible working practices.

**DIRECTOR OF FINANCE**

Work with us to develop a new NHS Trust for Priority Services

Salary is negotiable from £35,000 to circa £40,000 with a shadow trust appointment. (Additional attractive executive package of benefits also negotiable.)

**THE ROLE**

This Finance Director has a key role to play in ensuring a state of readiness for Trust Status which we are preparing for with effect from 1st April 1994.

An executive post responsible for the financial viability and stability of the Unit/Trust, you will ensure financial managerial effectiveness across all services, and also lead and develop the Finance Directorate.

**THE SERVICES**

The Unit provides services via Clinical Directorates for a population of 260,000 and employs 1900 staff. Contract income is £32m with an asset valuation of £27m.

Services are provided in three main business areas: Primary Care, Mental Health and Care of the Elderly with subsidiaries of Children's Services, Sexual Health and Therapy Services.

**THE DETAILS**

We are looking for a qualified Accountant with a proven track record of financial responsibility at a strategic level. NHS/Public Sector experience is not essential.

Closing Date: 8 March 1993

Interested candidates should contact our recruitment advisor Don Leslie of Beament Leslie Thomas Recruitment Consultancy, 107-111 Fleet Street, London EC4A 2AB, enclosing a detailed CV. Telephone enquiries: 071-353 5606.

KETERING HEALTH AUTHORITY

We operate a "No smoking" policy which limits smoking to designated areas.



UNIT PROMOTED - TEAM HUSTLER

**MAJOR FINANCIAL INSTITUTION SAUDI ARABIA**

These are two outstanding opportunities to join an established professional organization in Riyadh which is playing a major role in expanding the Kingdom of Saudi Arabia's industrial base by providing finance for the development of the private industrial sector.

**Management Consultant (Finance)**

c.US\$50,000 + substantial benefits

Your principal responsibilities will include:

- Investigating financial performance of projects.
- Improving systems for financial control, accounting, costing, and management information for a wide variety of manufacturing operations.
- Consulting with clients to enhance project performance.
- Training and developing associates and client staff.

The ideal candidate will be a highly motivated, mature and professionally qualified accountant with a minimum of

three years' post-qualification experience in a large auditing firm and at least seven years' experience in management and systems consulting incorporating structured training. Hands-on experience in the development and implementation of advanced costing systems and the selection and installation of automated information systems in a manufacturing environment is essential. Knowledge of Arabic would be advantageous. Candidates aged under 40 may not have the breadth of experience required. Ref: R2420/FT.

**Auditor c.US\$38,000 + substantial benefits**

Your principal responsibilities will include:

- Planning, performing and supervising capital cost audits.
- Investigating financial statements and assessing business performance.

The ideal candidate will be a Chartered Accountant (CA) or Certified Public Accountant (CPA) with a university degree in accounting or business administration and a minimum of four years' experience gained with a large public accounting firm during which you have planned,

performed and supervised complex audits, preferably in the manufacturing sector. The ability to use personal computers is essential and some travel within the Kingdom will be involved.

Able and willing to train and develop Saudi nationals, you must be mature, well-motivated and flexible. Although the working language is English, a knowledge of Arabic would obviously be an advantage. Ref: R2421/FT.

Basic salaries, according to experience, will be paid free of tax in Saudi Arabia. In addition, an excellent benefits package will be offered, on a married or single status basis, which includes: performance and end-of-contract bonuses, free housing, leased car, generous leave fare provision, free medical treatment, overseas schooling and student travel benefits, first-class recreational facilities. These contract appointments, initially for two years and renewable by mutual agreement, represent excellent opportunities for both significant involvement in a

country's industrial development and substantial capital accumulation.

Interviews will be held in London in mid-April.

Please reply as quickly as possible with a full CV, indicating current compensation level, which will be forwarded direct to our client. Address, quoting the appropriate reference, to PA Consulting Group, Advertising and Communications, 123 Buckingham Palace Road, London SW1W 9SR. Fax: 071-333 5050.

**PA Consulting Group**

Creating Business Advantage

Executive Recruitment • Human Resource Consultancy • Advertising and Communications

**'Achieve Results'****FINANCIAL DIRECTOR**

London

to \$40,000 + car

Our client is a long established firm of shipbrokers and agents providing a comprehensive range of services.

This high profile role offers considerable scope to instigate change and make a real impact on financial and general management. The initial priority will be to improve efficiency and profitability by upgrading financial control and the quality of computerised management information. Wider aspects will embrace cash management, strategic planning and appraisal of business opportunities.

Applicants should be computer literate qualified accountants aged 30/45. Strong communicators with a 'hands on' approach, they must have extensive commercial and managerial experience with a record of identifying requirements and achieving results.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/57/F.

LLOYD MANAGEMENT

**APPOINTMENTS WANTED****FINANCIAL CONTROLLER**

German based. Computer literate with general management, controlling and consolidation experience in industrial and medical manufacturing industries seeks full or part time assignments in Central Europe. CV and references available on request.

G Anderson CA.  
Tel: Germany (0) 9441 686016  
Fax: (0) 9441 686030

**A DYNAMIC AND WIDELY EXPERIENCED INTERNATIONAL FINANCE EXECUTIVE, BA, FCA, FCMA.**

Currently working for a conglomerate with interests in hotels, insurance, finance and leasing. Excellent track record. Seeks new appointment.

Please write to Box A735, Financial Times, One Southwark Bridge, London SE1 9HL

**FINANCIAL CONTROLLER**

Watford

£35,000 + Car

A subsidiary of a major international corporation, our client is developing a significant brand in the durable consumer goods market and has set up a multi-million pound nationwide distribution operation. With the powerful backing of its parent company, expansion is proceeding at a rapid pace and continued strong growth is forecast.

Reporting to the chief executive officer, you will be a key member of a small and dedicated management team. You will be responsible for the accounting team and the operation and development of the management control and reporting systems, particularly ensuring they meet the needs of a rapidly

expanding business. A qualified accountant, you should have at least 5 years' industrial experience and be able to demonstrate a track record of successfully managing computerised information systems, preferably within a product distribution environment.

To apply, please send a c.v. together with recent salary history to:

The Managing Director  
Corporate Financial Management  
42 Milton Park  
London N6 5QA



### List of Successful Candidates

**CONTINUED ON  
PAGE 35**



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Willkison D.M. (IKPMG) Peasi Marwick, Bradford  
 Willkison L.A. (Gilberts), St. Albans  
 Willkison R.F. (Hart), Birmingham  
 Willkison R.F. (Touche Ross & Co.) Liverpool  
 Willkison R.F. (Ernest & Young), London  
 Williams J. (IKPMG) Peasi Marwick, London  
 Williams A.J. (IKPMG) Peasi Marwick, London  
 Williams A.J. (C.R.K. Whitehill), London  
 Williams A.D. (Touche Ross & Co.) Newcastle Upon Tyne  
 Williams C. (Arthur Anderson), Nottingham  
 Williams C.G. (Hacker Young), Bristol  
 Williams D.R.L. (IKPMG) Peasi Marwick, London  
 Williams E. (Hart), Birmingham, London  
 Williams D.G.C. (Price Waterhouse), London  
 Williams D.R. (IKPMG) Peasi Marwick, Cardiff  
 Williams E. (Kilgus), London  
 Walters L.C. (IKPMG) Peasi Marwick, Bristol  
 Williams J.K. (Luttrells) Fraser, London  
 Williams J.K. (Ernest & Young), London  
 Williams R.E. (IKPMG) Peasi Marwick, London  
 Williams R.G. (Spain Brothers), Folkestone  
 Williams S.P. (Arthur Anderson), London  
 Williams L. (Touche Ross & Co.) Bournemouth  
 Wilds P.D. (IKPMG) Peasi Marwick, Leeds  
 Wilds P.G. (Touche Ross & Co.) Bracknell  
 Willman L.D. (Arthur Anderson), Tyneside  
 Willmont J.M. (Moore Stephens), London  
 Wilds D.J. (IKPMG) Peasi Marwick, Birmingham  
 Wilson A. (Ernest & Young), London  
 Wilson A.D. (Ernst & Young), London  
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## COMMODITIES AND AGRICULTURE

## Ukrainians in Moscow to seek gas row solution

By Leyla Bouillon in Moscow

RUSSIAN AND Ukrainian leaders gathered for 11th hour talks in Moscow today to find a deal on debts and energy after Russia extended a deadline, which expired yesterday, for cutting off natural gas supplies to Ukraine.

Mr. Ram Vyshchuk, acting head of Gasprom, the state-owned gas monopoly said that the deliveries could be cut off as early as Sunday unless Ukraine paid world prices for 10 cubic metres of gas it had received this year. The postponement of the threat is designed to allow for talks beginning today between Ukrainian prime minister, Mr. Leonid Kuchma, and Mr. Viktor Chernomyrdin, the former head of Gasprom and now prime minister of Russia.

Although various figures have been provided - ranging from the world price of \$85 per 1,000 cu m to \$260,000 (less than \$60 at present exchange rates, including export taxes

depending on which Russian official is talking) - it is not quite clear what world prices Russia wants to charge Ukraine.

Nor is it clear what Ukraine means when it counters that it will increase transit fees on Russian gas exports to western Europe, 85 per cent of which cross Ukraine. While Ukraine has quoted a transit fee of \$2.2 per 1,000 cu m, Russia says this is far higher than the world average. In an attempt to put western pressure to bear on Ukraine in turn, one Russian official said this week that Russia plans from March 1 to charge western customers for gas as delivered from the Russian-Ukrainian border. This would leave it up to western customers to bully Ukraine into setting an acceptable transit price for their gas supplies.

Interfax news agency said yesterday that Gasprom had received permission to sell 30 per cent of its shares to the public but that foreign investors could account for no more

than nine per cent of the company's capital. Its articles of association as a joint-stock company are due to be registered soon by the Justice Ministry.

Mr. Viktor Kress, the governor of Russia's Siberian Tomsk region, has made a plea for foreign investors to help rejuvenate some 800 oil wells which would increase the western Siberian region's oil output by 2m tonnes a year to 14m. But a decision on whether to hold a tender for new oil-fields in the region has yet to be agreed between the region and the authorities in Moscow.

Meanwhile, attempts partly to privatise the region's Tomsksk production company have ground to a halt, the region's privatisation chief, Mr. Alexander Petrov, said earlier this week. He said the state-owned enterprise's managers, who want more of the company for themselves and their workers, had gone to Moscow to lobby the federal government for better terms.

## Aboriginal claim may threaten mine project

By Kevin Brown in Sydney

MIM HOLDINGS, the Australian resources group, is considering a potential claim by an aboriginal group for ownership of the site of its McArthur River lead/zinc/silver project in the Northern Territory.

MIM has received a letter from the Northern Land Council, an aboriginal advisory group, seeking consultations about the project on behalf of aborigines to the territory and in northern Queensland. This follows suggestions by the council that a legal claim for ownership of the land might be filed unless MIM agreed to provide jobs and compensation to aborigines claiming connection with the area.

MIM and a group of Japanese joint venturers received permission to develop the mine last year after complying with the environmental and planning regulations of the federal and territorial governments.

However, the status of some mining rights has been thrown into doubt by a High Court decision last year that overthrew the legal doctrine that Australia was *terra nullius*, or unoccupied, when European settlement began in 1788. The decision created a form of "native title" applying to government-owned land where aboriginal groups can prove uninterrupted occupation or continuous close relationship.

A legal claim for ownership of McArthur River could delay development of the mine, which is 70 per cent owned by MIM, Nippon Mining and Metals owns 15 per cent, and Mitsui, Mitsubishi Materials and Marubeni 15 per cent each.

The land council's action angered the territory's government, which claimed that aboriginal and environmental opposition to mining has reduced investment proposals.

Mr. Shane Stone, mines and energy minister, said the threat of a land claim against McArthur River was "beyond the pale". He said the project was "too important to become another Coronation Hill" - a gold project in the Northern Territory that was blocked in 1991 after the federal government accepted aboriginal claims that the site was sacred.

The territory government did not make clear how it planned to overcome the provisions of federal race discrimination legislation.

The federal Labor government and the conservative opposition have said that land claims should be resolved by negotiation.

## EC sets minimum fish import prices

By David Gardner in Brussels

THE EUROPEAN Commission last night set minimum import prices on white fish, but warned that tougher measures would be taken if this did not stem the flood of cheap imports coming into the EC and driving down prices.

The minimum prices will apply to cod, haddock, whiting and monkfish until the end of June, and are based on the reference prices normally used to monitor the EC fish market.

They are unlikely, therefore, to restore fully the 15 to 30 per cent drop in white fish prices caused by this year's import surge, because prices were drifting downwards anyway because of the community's own structural problems and a fall in consumption because of recession.

The move follows a vigorous campaign by Breton fishermen, who on Tuesday partly destroyed the Paris fish market at Rungis. It has as its main target Russian imports, as well as fish from Iceland, Norway and Poland.

This decision should allow

Mr. Charles Josselin, the French maritime affairs minister, will today hold a meeting with the French fishing association in Rennes to discuss the European Commission's proposals for a minimum fish pricing system, writes Alice Hawthorn in Paris.

The news of the meeting followed renewed demonstrations from fishermen in the Brittany and Vendée. The fishermen who have, for the past fortnight, been protesting against the recent rise in cheap fish imports into France culminating in the ransacking on Tuesday of the Rungis fish market near Paris.

A group of 400 Breton fishermen yesterday staged a demonstration in Brussels outside the building where European Community fishing

officials were discussing the minimum pricing plan. The fishermen sheltered from a light snowfall in nearby cafés during the meeting. There were rowdy demonstrations throughout the day at Stables d'Orléans, the Vendée port. Local fishermen sealed off the commercial docks with a boat blockade during the morning and protested outside local authority buildings in the afternoon.

Another group of Vendée fishermen sealed off the Loire estuary by Saint-Nazaire bridge and built blockades of burning tyres to block off road access to the bridge. Meanwhile the trawlermen, who had on Wednesday blockaded a military testing area in Les Landes, ended their protest yesterday afternoon.

us to correct the disturbances caused by imports from third countries at extraordinarily low prices," said Mr. Ioannis Paleokrassas, the EC's environment and fisheries commissioner.

But commission officials warned that if the situation was not stabilised quickly, the community could resort to an embargo on imports.

French fishing interests had also called for action to correct the distortions caused by recent devaluations of sterling and the Spanish peseta. Com-

mission officials pointed out, however, that that form of exchange rate compensation was no longer practicable in the EC's border-free internal market.

"We have a single market but we do not have a single currency," one official said. The commission's decision followed a vote at the EC management committee for fisheries, made up of senior civil servants from the member states. A slight dissent note was sounded by the UK, which abstained after failing to limit

## Russians meeting Espy today to discuss grain debt defaults

By Laurie Morse in Chicago

A HIGH-level delegation of Russian officials will meet US Secretary of Defense Mike Espy today to discuss Russia's mounting grain debt defaults and seek a solution to the credit crisis that has stalled US grain exports to the former Soviet Union since November.

However, US grain trade groups do not expect the visit produce a quick solution to the credit impasse.

Mr. Aleksey Shokhin, first deputy prime minister of Russia, and a party to Russia's Paris Club debt negotiations, will lead the delegation. Mr. Leonid Cheshinsky, president of the Russian domestic grain agency Roskheleprod, and Mr. Oleg Klimov, president of the semi-private Exportkhleb grain-buying agency, will accompany Mr. Shokhin, as will deputy finance minister Mr. Andrei Vavilov.

The delegation will stay in Washington until next Wednesday, visiting congress and members of the Clinton administration. The visit precedes a meeting between Mr. Warren Christopher, US secretary of state, and Russian foreign minister Andrei Kozyrev in Geneva on Thursday.

Mr. Espy met grain trade representatives on Wednesday to discuss possible financing alternatives in advance of the

Russia and other former Soviet republics in difficulty with grain payments are seeking to expand the use of barter, according to the International Wheat Council, writes David Blackwell. Sales have already been fixed under the US Export Enhancement Program (EEP) - mostly in exchange for cotton from Uzbekistan.

Australia, Canada, Finland and Turkey are thought to have held talks on barter deals, the IWC says in its latest grain market report. The Australians are believed to have been offered 40,000 tonnes of aluminium in exchange for wheat.

However, with the exception of the US, the parties concerned "are reluctant to reveal details of any possible arrangements" as they involve price exposure on both sides of a transaction. Traders need to cover themselves for commodities which they are unfamiliar with.

The fact that most commodities are in plentiful supply on the international market at relatively low prices further complicates any attempts to expand barter trade, the IWC suggests.

Russian visit. Mr. Nelson Denlinger, executive vice president of US Wheat Associates, said Mr. Espy tried to dispel the notion that he had arrived at a solution to the Russian credit problem. "I don't think there are any simple solutions on the table," Mr. Denlinger said.

For one thing, Mr. Espy has said any plan would have to be co-ordinated through an 11 agency committee that includes the Treasury and the State Department.

In the meeting, the North American Export Grain Association proposed that the US form a fund to buy out Russia's bad loans and then place the country on a longer-term loan programme. The plan, while allowing Russia to

resume grain purchases, would be expensive. It would also contrast sharply with US Department of Agriculture staff proposals that Russia be given direct food aid while allowing the credit arrears to mount.

"My reading of the [NABGA] plan is, given current sentiment to cut programmes and reduce the deficit, that it would not fly [in Washington]," Mr. Denlinger said.

CIS countries are \$367.7m in arrears on US-backed grain loans. Bank claims against the defaults have begun to rise. To date, five banks, all of them foreign, have made claims totalling \$6.7m, and the USDA has paid out \$5.6m against those claims.

## Gatt expects beef export fall to continue

By Frances Williams in Geneva

WORLD BEEF exports fell by 2 to 3 per cent in 1992 and a similar decline is likely in 1993, the General Agreement on Tariffs and Trade says in a report published today.

In its annual review of international meat markets, Gatt highlights a continuing slump in European Community beef exports, which now account for about a quarter of the world total. The EC itself is predicting a drop of 22 per cent in beef exports this year after a 12 per cent fall in 1992. Despite lower production, EC beef stocks ended 1992 at record levels of about 10m tonnes.

Australia has regained the top spot among the world's beef exporters from the EC, which is followed by the US in third place, New Zealand and Brazil. Argentina's shipments plunged nearly 30 per cent last year because of rising production costs and the strong currency.

Major changes in world market shares are likely in 1993, the report says, predicting fresh gains by the US and Brazil at the expense of the EC and New Zealand.

World beef and veal production is estimated to have declined by about 1 per cent in 1992, largely because of lower output in the EC, central Europe and the Commonwealth of Independent States. Gatt expects a further 1 to 2 per cent slide in 1993, mostly the result of falling EC production.

The Gatt report says pro-

spects for the international beef market are clouded by the uncertain economic outlook and changing diets. In many countries consumers have switched to cheaper poultry meat, which now represents a quarter of world meat production.

In the US, per capita consumption of poultry meat, at 43 kg, the highest in the world, roughly equalled that of beef for the first time last year. In the EC, beef consumption stagnated or fell in all countries except for Spain and Portugal.

Import demand is set to rise substantially in Japan and other East Asian countries, especially South Korea, but elsewhere will remain sluggish, Gatt says.

EC exports in particular are

being hit by falling demand from the Commonwealth of Independent States.

Gatt expects beef prices to weaken further in the US but to remain firm in East Asia and to strengthen in Europe as a result of lower EC production and a possible rise in beef demand in central Europe and the CIS.

Gatt's Arrangement on Bovine Meat, designed to expand and liberalise world meat trade, has 27 members (the EC counting as one) which account for about 90 per cent of world beef exports and about 60 per cent of consumption and production.

International Markets for Meat 1992-93, available from Gatt, Centre William-Rappard, rue de Loussane 154, 1211 Geneva 21. Price Sfr725.

## Gold jewellery demand riding high

By David Blackwell

WIDESPREAD RECESSION has failed to dent world demand for gold jewellery, according to the World Gold Council, the promotional organisation supported by producers. The industry soaked up a record 2,400 tonnes last year, 14 per cent up on 1991.

The council estimates that total identified worldwide demand for gold in jewellery, investments and industrial uses rose by 9 per cent to 3,067 tonnes - "a striking increase

in a year where 600 tonnes of official gold was sold by Belgium and Dutch central banks".

The driving forces behind the increase in jewellery demand have been the Middle and Far Eastern markets. Demand in the Far East rose by 33 per cent to 654 tonnes. Chinese demand for pure gold jewellery, known as *Chuk Kuan*, rose by 71 per cent to 250 tonnes. However, Far Eastern demand for bar and coins was 41 per cent down at 51 tonnes. In the developed world, trade

purchases of jewellery eased by 1 per cent, with Japan showing a fall of 17 per cent to 104.5 tonnes and the US registering a rise of 5 per cent to 230.6 tonnes.

Mr. Roger Murphy, of the council's economics service, emphasised that the council's figures were based on identified demand, adding that there was probably substantial unidentified demand. He expects to see "a continued movement of gold from West to East and with it a steady rise in demand through 1993".

## Tailings plant to boost Chilean copper output

CHILE COPPER Corporation's (Codeco) Chuquibambilla, the world's largest copper mine, has started processing tailings which should boost output by 50,000 tonnes a year, reports Reuters from Santiago. A new tailings plant came on line yesterday and will reach full capacity by the end of March. Processing tailings, which have accumulated for decades, is one of Codeco's most lucrative projects, according chairman Alejandro Noemi.

## WORLD COMMODITIES PRICES

## MARKET REPORT

NICKEL fell sharply on the London Metal Exchange yesterday as support levels gave way, triggering sell stops and liquidation. Three-month metal fell through the \$6,200-a-tonne level - an area where support has held solid in recent days - and slid rapidly down. The decline occurred against a background of steep losses in other metals, notably COPPER and ZINC. Also, there were no fundamental reasons for nickel to be immune from the general weakness now affecting base metals, dealers said. Three-month copper confirmed

the break below the important \$2,200 level, with modest Chinese buying around \$2,100 brushed aside. New York arabica COFFEE prices were down sharply at midsession after the market's technical bounce to Tuesday's tumble ran out of steam. Analysis said futures garnered early firmness from a port strike at Brazil's Santos. But such support proved fleeting because of persistent perceptions of high supply and lessened demand for coffee. Compiled from Reuters

## LONDON MARKETS

SPOT MARKETS	
Cash oil (per barrel FOB) (Apr)	+ 0.01
Brent	118.92-93.00
Brent Blend (dtd)	118.97-99.01
Brent Blend (Apr)	118.92-93.00
WTI (1st) (Apr)	118.92-93.00
WTI (1st) (May)	120.45-95.00
Oil products	
WME product delivery per tonne CIF	+ 0.01
Premium Gasoline	1183-1300
Gas Oil	1177-91.77
Heavy Fuel Oil	872-74
Crude oil	1177-77
Petroleum Augur Estimates	
Oilbar	
Oilbar (per tonne)	+ 0.01
Oilbar (per tonne)	-0.40
Oilbar (per tonne)	337.40
Oilbar (per tonne)	-2.25
Oilbar (per tonne)	510.25
Copper (US Producer)	-0.5
Lead (US Producer)	33.50
Lead (London market)	33.50
Lead (New York)	+ 0.03
Lead (US Prime Western)	+ 0.5
Cattle (live weight)	128.34p
Sheep (live weight)	114.5p
Sheep (live weight)	+ 0.8p
Sheep (live weight)	85.20p
Lamb (live weight)	128.34p
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**INVESTMENT TRUSTS - Cont.**

Year	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100																																																																																																																																																																																																																																																													
121	121	122	123	124	125	126	127	128	129	130	131	132	133	134	135	136	137	138	139	140	141	142	143	144	145	146	147	148	149	150	151	152	153	154	155	156	157	158	159	160	161	162	163	164	165	166	167	168	169	170	171	172	173	174	175	176	177	178	179	180	181	182	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	198	199	200	201	202	203	204	205	206	207	208	209	210	211	212	213	214	215	216	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232	233	234	235	236	237	238	239	240	241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257	258	259	260	261	262	263	264	265	266	267	268	269	270	271	272	273	274	275	276	277	278	279	280	281	282	283	284	285	286	287	288	289	290	291	292	293	294	295	296	297	298	299	300	301	302	303	304	305	306	307	308	309	310	311	312	313	314	315	316	317	318	319	320	321	322	323	324	325	326	327	328	329	330	331	332	333	334	335	336	337	338	339	340	341	342	343	344	345	346	347	348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400	401	402	403	404	405	406	407	408	409	410	411	412	413	414	415	416	417	418	419	420	421	422	423	424	425	426	427	428	429	430	431	432	433	434	435	436	437	438	439	440	441	442	443	444	445	446	447	448	449	450	451	452	453	454	455	456	457	458	459	460	461	462	463	464	465	466	467	468	469	470	471	472	473	474	475	476	477	478	479	480	481	482	483	484	485	486	487	488	489	490	491	492	493	494	495	496	497	498	499	500

Cap	80	100
Shoulder P	151 1/2	152 1/2

54	1.9	94.7
7	-	-
141	0.8	213.4
11	-	-
80	8.4	41.0
56	-	142.4
138	5.9	250.3
150	0.8	261.8
82	0.8	140.2
205	2.3	419.4
28	-	-
04	-	-
15	-	27.0
22	1.1	50.7
06	1.8	140.2
82	0.2	89.6
92	3.7	-
74	-	-
84	0.4	121.7
13	-	-
197	2.6	224.6
68	-	117.8
184	5.6	85.7
8	-	-
142	-	-

## 100

67	1.35	95.5	-
70	0.5	96.7	-
81	1.16	73.5	-
8	0	-	-
96	0.3	128.3	-
87	14.4	-	-
12	48	35.4	-
27	48	77.8	-
14	-	-	-
334	4.4	520.8	1
120	8.8	308.7	1
240	8.8	308.7	1
173	11.8	38.9	-
674	-	-	-
2	2	243.2	-
162	8.5	119.8	-
210	8.1	347.3	-
210	12	619.8	-
12	0.2	113.1	-
433	4.1	539.5	-
68	-	127.8	-
28	-	402.3	-
49	-	161.8	-
81	-	-31.7	-
6	-	-	-
81	4.8	85.5	-
1335	4.8	228.6	-
1386	4.8	292.4	-
281	-	-	-
30	25.1	501.2	1
38	17.8	-	-
93	-	81.3	7

General Inv. _____	54	—	21 1/2	3
Zero Div Pfr _____	20 1/2	— 1/2	21 1/2	
M & C Securities Inc. HT	31		41	

[illegible]

1990-1991 P/E	144 1/2	-1	147 1/2	119
1990-1991 P/B	254	—	256	18

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**REFERENCES**

[illegible]







**FT MANAGED FUNDS SERVICE** • Current Unit Trust prices are available from FT Cityline. For further details call (071) 673 4378.

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● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378

سید محمد علی



**FT MANAGED FUNDS SERVICE** • Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

Code	Company Name	ISIN	Price	Yield	Dividend	Dividend Yield	Dividend Payout	Dividend Frequency	Dividend Date
0101	John Goyett Management (Jersey) Ltd	01010101	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0102	John Goyett Management (Jersey) Ltd	01010202	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0103	John Goyett Management (Jersey) Ltd	01010303	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0104	John Goyett Management (Jersey) Ltd	01010404	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0105	John Goyett Management (Jersey) Ltd	01010505	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0106	John Goyett Management (Jersey) Ltd	01010606	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0107	John Goyett Management (Jersey) Ltd	01010707	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0108	John Goyett Management (Jersey) Ltd	01010808	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0109	John Goyett Management (Jersey) Ltd	01010909	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0110	John Goyett Management (Jersey) Ltd	01011010	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0111	John Goyett Management (Jersey) Ltd	01011111	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0112	John Goyett Management (Jersey) Ltd	01011212	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0113	John Goyett Management (Jersey) Ltd	01011313	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0114	John Goyett Management (Jersey) Ltd	01011414	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0115	John Goyett Management (Jersey) Ltd	01011515	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0116	John Goyett Management (Jersey) Ltd	01011616	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0117	John Goyett Management (Jersey) Ltd	01011717	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0118	John Goyett Management (Jersey) Ltd	01011818	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0119	John Goyett Management (Jersey) Ltd	01011919	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0120	John Goyett Management (Jersey) Ltd	01012020	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0121	John Goyett Management (Jersey) Ltd	01012121	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0122	John Goyett Management (Jersey) Ltd	01012222	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0123	John Goyett Management (Jersey) Ltd	01012323	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0124	John Goyett Management (Jersey) Ltd	01012424	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0125	John Goyett Management (Jersey) Ltd	01012525	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0126	John Goyett Management (Jersey) Ltd	01012626	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0127	John Goyett Management (Jersey) Ltd	01012727	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0128	John Goyett Management (Jersey) Ltd	01012828	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0129	John Goyett Management (Jersey) Ltd	01012929	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0130	John Goyett Management (Jersey) Ltd	01013030	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0131	John Goyett Management (Jersey) Ltd	01013131	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0132	John Goyett Management (Jersey) Ltd	01013232	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0133	John Goyett Management (Jersey) Ltd	01013333	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0134	John Goyett Management (Jersey) Ltd	01013434	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0135	John Goyett Management (Jersey) Ltd	01013535	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0136	John Goyett Management (Jersey) Ltd	01013636	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0137	John Goyett Management (Jersey) Ltd	01013737	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0138	John Goyett Management (Jersey) Ltd	01013838	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0139	John Goyett Management (Jersey) Ltd	01013939	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0140	John Goyett Management (Jersey) Ltd	01014040	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0141	John Goyett Management (Jersey) Ltd	01014141	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0142	John Goyett Management (Jersey) Ltd	01014242	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0143	John Goyett Management (Jersey) Ltd	01014343	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0144	John Goyett Management (Jersey) Ltd	01014444	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0145	John Goyett Management (Jersey) Ltd	01014545	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0146	John Goyett Management (Jersey) Ltd	01014646	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0147	John Goyett Management (Jersey) Ltd	01014747	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0148	John Goyett Management (Jersey) Ltd	01014848	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0149	John Goyett Management (Jersey) Ltd	01014949	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0150	John Goyett Management (Jersey) Ltd	01015050	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0151	John Goyett Management (Jersey) Ltd	01015151	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0152	John Goyett Management (Jersey) Ltd	01015252	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0153	John Goyett Management (Jersey) Ltd	01015353	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0154	John Goyett Management (Jersey) Ltd	01015454	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0155	John Goyett Management (Jersey) Ltd	01015555	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0156	John Goyett Management (Jersey) Ltd	01015656	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0157	John Goyett Management (Jersey) Ltd	01015757	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0158	John Goyett Management (Jersey) Ltd	01015858	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0159	John Goyett Management (Jersey) Ltd	01015959	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0160	John Goyett Management (Jersey) Ltd	01016060	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0161	John Goyett Management (Jersey) Ltd	01016161	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0162	John Goyett Management (Jersey) Ltd	01016262	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0163	John Goyett Management (Jersey) Ltd	01016363	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0164	John Goyett Management (Jersey) Ltd	01016464	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0165	John Goyett Management (Jersey) Ltd	01016565	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0166	John Goyett Management (Jersey) Ltd	01016666	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0167	John Goyett Management (Jersey) Ltd	01016767	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0168	John Goyett Management (Jersey) Ltd	01016868	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0169	John Goyett Management (Jersey) Ltd	01016969	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0170	John Goyett Management (Jersey) Ltd	01017070	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0171	John Goyett Management (Jersey) Ltd	01017171	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0172	John Goyett Management (Jersey) Ltd	01017272	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0173	John Goyett Management (Jersey) Ltd	01017373	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0174	John Goyett Management (Jersey) Ltd	01017474	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0175	John Goyett Management (Jersey) Ltd	01017575	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0176	John Goyett Management (Jersey) Ltd	01017676	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0177	John Goyett Management (Jersey) Ltd	01017777	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0178	John Goyett Management (Jersey) Ltd	01017878	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0179	John Goyett Management (Jersey) Ltd	01017979	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0180	John Goyett Management (Jersey) Ltd	01018080	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0181	John Goyett Management (Jersey) Ltd	01018181	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0182	John Goyett Management (Jersey) Ltd	01018282	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0183	John Goyett Management (Jersey) Ltd	01018383	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0184	John Goyett Management (Jersey) Ltd	01018484	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0185	John Goyett Management (Jersey) Ltd	01018585	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0186	John Goyett Management (Jersey) Ltd	01018686	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0187	John Goyett Management (Jersey) Ltd	01018787	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0188	John Goyett Management (Jersey) Ltd	01018888	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0189	John Goyett Management (Jersey) Ltd	01018989	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0190	John Goyett Management (Jersey) Ltd	01019090	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0191	John Goyett Management (Jersey) Ltd	01019191	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0192	John Goyett Management (Jersey) Ltd	01019292	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0193	John Goyett Management (Jersey) Ltd	01019393	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0194	John Goyett Management (Jersey) Ltd	01019494	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0195	John Goyett Management (Jersey) Ltd	01019595	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0196	John Goyett Management (Jersey) Ltd	01019696	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0197	John Goyett Management (Jersey) Ltd	01019797	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0198	John Goyett Management (Jersey) Ltd	01019898	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0199	John Goyett Management (Jersey) Ltd	01019999	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0200	John Goyett Management (Jersey) Ltd	01020000	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0201	John Goyett Management (Jersey) Ltd	01020101	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0202	John Goyett Management (Jersey) Ltd	01020202	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0203	John Goyett Management (Jersey) Ltd	01020303	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0204	John Goyett Management (Jersey) Ltd	01020404	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0205	John Goyett Management (Jersey) Ltd	01020505	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0206	John Goyett Management (Jersey) Ltd	01020606	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0207	John Goyett Management (Jersey) Ltd	01020707	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0208	John Goyett Management (Jersey) Ltd	01020808	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0209	John Goyett Management (Jersey) Ltd	01020909	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0210	John Goyett Management (Jersey) Ltd	01021010	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0211	John Goyett Management (Jersey) Ltd	01021111	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0212	John Goyett Management (Jersey) Ltd	01021212	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0213	John Goyett Management (Jersey) Ltd	01021313	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0214	John Goyett Management (Jersey) Ltd	01021414	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0215	John Goyett Management (Jersey) Ltd	01021515	1.00	0.00	0.00	0.00	0.00	0.00	0.00
0216	John Goyett Management (Jersey) Ltd	01021616	1.00	0.00	0.00	0.00	0.00		







WORLD STOCK MARKETS

FRANCE (continued)			GERMANY (continued)			NETHERLANDS (continued)			DENMARK (continued)		
Stock	High	Low	Stock	High	Low	Stock	High	Low	Stock	High	Low
February 23			February 23			February 23			February 23		
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
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SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.	407	+4	Deutsche Bank	345	+6	Alkermes Inc.	12	+10	Actavis Inc.	191	+6
SAF Car Inc.											



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on page 10



**New deal,  
new markets**

Technologies in  
packaging and  
transport products  
by our subsidiary  
**VAW aluminium AG**

**VIAG**  
Vierthaler Industrie AG

WAG, Westphalia, Germany  
Grafing-Weiden, Upper Bav. Co.  
D-83608 Nussl  
Tel./Fax: 089 255 2100

*Handwritten:* 100, 101



4 pm close February 28



